Volume 1, Number 2
July/August 1992

Intellectual AMMUNITION
On State and Local Issues

Potshots

"Standing in the middle of the road is dangerous; you get knocked down by the traffic from both sides." — **Margaret Thatcher**

"Success is often nothing more than moving from one failure to another with undiminished enthusiasm." — **Winston Churchill**

"Giving money and power to government is like giving whiskey and car keys to teenage boys." — **P. J. O'Rourke**

"Today, there are greater, more certain, and more immediate penalties in this country for serving up a single rotten hamburger than for furnishing a thousand school children with a rotten education." — **William Bennett**

"The market is not an invention of capitalism. It has existed for centuries. It is an invention of civilization." — **Mikhael Gorbachev**

"Experience is what you get when you don't get what you want." — **Dan Stanford**

"If the truth of a proposition depended on the number of people who believed it, the earth would still be flat." — **Hon. Richard Prebble, member, New Zealand parliament**

Five Reasons To Support Educational Choice

Educational choice means giving parents the right to choose the schools their children attend. Legislation is pending in 27 states to allow parents to choose *private* as well as public schools for their children, with tax dollars paying tuition at schools chosen. Educational choice promises to deliver:

❶ **Better Schools:** According to Mary Anne Raywid, professor of education at Hofstra University: "There is abundant evidence that public school parents want choice; that they are more satisfied with and have more confidence in schools that provide it; that parent choice increases the commitment and cohesion within schools extending it; and that these attributes combine to improve school quality and make schools more effective."

❷ **Improved Student Achievement**: The success of private schools — which are schools of choice — gives some idea of how student achievement would improve under a choice program. Dr. James Coleman (University of Chicago) has found that private school students achieve at significantly higher levels than students attending public schools. These differences persist even when socioeconomic background (the income, occupation, education, religion, and race of parents) is statistically controlled for. Coleman's research suggests that *minority and disadvantaged students* benefit even more than other students by being enrolled in private schools.

❸ **Cost Savings:** Choice programs can save money by offering publicly funded scholarships or "vouchers" to students attending less-expensive private schools or public schools that choose to "opt out" of the public bureaucracy. Since private school tuition is often less than half of annual public school per-pupil spending, every child receiving a scholarship saves taxpayers

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Tools For Political Survival

Intellectual
AMMUNITION

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Intellectual Ammunition is published monthly by The Heartland Institute, a nonprofit, nonpartisan research and educational organization with offices in five Midwestern states. The Heartland Institute conducts and disseminates research on state and local public policy issues. Nothing in *Intellectual Ammunition* should be construed as necessarily reflecting the views of The Heartland Institute or as an attempt to aid or hinder the passage of any legislation. The Heartland Institute is nonprofit under Section 501(c)(3) of the Internal Revenue Code. All contents Copyright © 1992 The Heartland Institute; permission is granted to copy individual articles for free distribution and classroom use.

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money. Many scholarship programs set the value of the scholarship at between $1,000 and $2,500, while average public school per-pupil spending in the U.S. now exceeds $5,000.

❹ **Equity:** Six million children attend nongovernment schools today. One million of those students are either African-American or Hispanic. If the families of these children had chosen public schools, the entire cost of tuition would have been paid from tax dollars. However, since they choose nongovernment schools that better reflect their values or respond to their children's needs, they must pay both tuition *and* taxes to support the public schools they choose not to use. Why, when nearly every other country in the world allows public funds to go to schools selected voluntarily by parents, does public policy in the U.S. prohibit equal treatment of families with children attending private schools?

❺ **Public Opinion:** The 1991 Gallup/Phi Delta Kappa Poll found that 62 percent of Americans support choice among public schools and 50 percent support vouchers. Support for vouchers is 57 percent for Blacks, 57 percent for Hispanics, and 57 percent for inner-city residents. According to an NBC News/*Wall Street Journal* survey published in May 1991, 59 percent of liberals, 52 percent of moderates, and 58 percent of conservatives support tax credits or vouchers.

# # #

Based on "The Case for Educational Choice," *Report #1 in* ***Rebuilding America's Schools****, by Joseph Bast and Robert Wittmann (340 pages, available for $45 from The Heartland Institute, 634 South Wabash, Second Floor, Chicago, IL 60605, phone 312/427-3060).*

Dear Reader

Welcome to the second issue of *Intellectual Ammunition*. In case you missed the first, here's a brief recap of what this magazine is about:

■ *Intellectual Ammunition* is published by The Heartland Institute, a nonprofit and nonpartisan think tank with offices in six Midwest cities.

■ We side with taxpayers, not tax spenders. *IA* gives the reader the "intellectual ammunition" needed to make state and local governments less costly and more accountable to the average citizen.

■ This bimonthly issue is being sent to about 1,200 state legislators and 1,000 Heartland Sponsors and friends. We plan to begin monthly publication in September and to send copies to all 8,000 state legislators and governors.

This issue incorporates many changes in response to suggestions made by readers of the first issue. Research Reports are shorter, we've added a Focus On page on education and health care, and the Potshots column takes more careful aim than it did in the first round. The Contacts list has been expanded to include nearly a dozen organizations we missed last time.

Some copies of this issue of *IA* also contain a special insert: a Quarterly Performance Report to Heartland Sponsors. In the past, these reports were sent to under separate cover. We hope our dedicated supporters will find the new format convenient and informative.

We remain deeply interested in your thoughts and advice concerning this magazine. Please send your suggestions to me at the business office address in the staff box. We're committed to making this absolutely the best source available for information on state and local public policy.

JBast

Joseph L. Bast
Publisher

For Your Newsletter

The Real Kinder, Gentler Society

By David Osterfeld

"The free market is not merely chaotic and disorderly: it represents economic Darwinism, survival of the fittest, where the small and weak are piteously ground underfoot by their larger and stronger competitors. Humanity requires the intervening hand of government, which, through appropriate regulation, can establish a kinder, gentler economy that protects the weak and poor."

This is a popular view of capitalism, where some are perceived to be at the mercy of others and "profit" is a four-letter word. But all is not as it seems, and millions of people worldwide, abandoning socialism, see capitalism in a different light. In a free market, economic transactions can be made only if each party to the transaction agrees; the result is that economic exchanges are made only when all parties benefit.

Capitalists have no special love for the free market; they want profit. They would like to pay their employees low wages and charge high prices for their goods. But if a capitalist simply raised his prices, his customers would go elsewhere; if he refused to pay his workers their worth, they would gravitate to other employers. Declining revenues and the loss of workers would, in short order, require the capitalist, *regardless of his or her wealth*, to adjust or face bankruptcy.

The beauty of the free market is that competition works its magic on every company, whether a tiny "mom and pop" grocery or a mammoth IBM. This is more than just a comforting theory. Every year, more than 50 corporations on the *Fortune 500* report losses; about 45 firms drop from the list every year. Detroit automakers paid a terrible price a decade or so ago — despite their "economic power" — when they continued to produce cars unsuited to Americans' needs and tastes.

The only way to make money in a free market is to produce what others want. The better a capitalist serves others, the more profits he or she makes. Rather than survival of the fittest, *the free market is built on mutual benefit and the harmony of interests*. This is the fundamental insight into markets that Adam Smith wrote about in 1776, and today it is the insight that is replacing communism and socialism with capitalism around the world.

> **The free market is built on mutual benefit and the harmony of interests.**

Harmony is replaced by conflict the moment government intervenes in the market. If a company is able to use government to keep out competitors, customers no longer have the freedom to take their business elsewhere. Government protection puts the company in a position to charge high prices, turn out shoddy merchandise, and pay low wages. For example, due to regulations imposed by various levels of government, it is estimated that each year Americans pay $20 billion ($238 per household) more for clothing; at least $6 billion more on automobiles; $7 billion more just on milk, sugar, and peanuts; $16 billion more on goods that are transported by truck; and about $400 million more on prescription drugs.

Because of tariffs, sugar prices in the United States are about six times higher than the world market prices. Comparisons of states that prohibit pharmaceutical advertising with those that permit it show that prices in the former are more than 5 percent higher. And the near-doubling of the price of new automobiles during the 1980s was in large part due to restrictions on the importation of foreign cars. The total cost of regulation to each citizen is impossible to pinpoint — but it is clear that the cost is substantial and growing.

By using tariffs and other measures to insulate businesses from competition, government transforms an economic system based on the harmony of interests into one based on *conflict* of interest, where those receiving government protection benefit at the *expense* of everyone else. Such exploitation has no place in an economy. If we really want a kinder, gentler society, no government should have the power to interfere with transactions freely entered into in the marketplace.

# # #

David Osterfeld is a Policy Advisor to The Heartland Institute and professor of political science at St. Joseph's College in Rensselaer, Indiana.

Permission is hereby granted to reprint this article

Who Are Those Guys?

In the Name of Children

By Robert V. Pambianco

"A different sort of children's movement is emerging in the nation's nonprofit and philanthropic community. In addition to playing their familiar role of funding direct services to needy children, the so-called third sector is trying to coax both the public and the private sectors into making systemic changes in behalf of children." This quote, taken from the *Washington Post,* describes the movement promoting federalized child care.

Complementing the campaign for nationalized health care, this movement intends to exploit the election to obtain more taxpayer money for new and existing federal programs. As David Liederman, executive director of the Child Welfare League of America, declares, "The child welfare community has two major opportunities in 1992 — to elect a children's president and to achieve passage of federal legislation . . ."

One of the movement's foremost advocacy groups is the Children's Defense Fund, whose chairman, until recently, was Hillary Rodham Clinton, wife of Presidential candidate Bill Clinton. Based in Washington, with an almost $9 million budget, CDF epitomizes the focus on governmental solutions. Its range of spending initiatives includes national health insurance (phased in for children and pregnant women first), expansion of Medicaid, passage of the *Family Preservation Act*, the *Child Welfare and Preventive Services Act*, the *Family and Medical Leave Act*, and the *Mickey Leland Childhood Hunger Relief Act.*

CDF, in its efforts on behalf of children, is a member of the left-wing legal group Alliance for Justice. In the 1980s, CDF worked for an increase in the minimum wage and played a "central role" in enactment of the 1986 Tax Reform Act, which many economists list as a cause of the current recession.

> This movement intends to exploit the election to obtain more taxpayer money for new and existing federal programs.

Other facets of this movement include the United Way (which is setting up a new nonprofit organization, Mobilization for America's Children, to spend 20 years and $20 million to improve the well-being of children) and two new coalitions. The Coalition for America's Children (CAC), a project of the M.B. Fund in Washington, has recently launched a national campaign: "Who's For Kids And Who's Just Kidding?"

"Candidates for public office this year had better do their homework on children's issues before they court the voters," according to CAC, which issued a report in January that "challenges the conventional wisdom that voters are primarily interested in securing lower taxes, making health care affordable and improving the economy. Children topped the voters priority list for government spending."

The American Federation of Teachers, National Association of Secondary School Principals, National Association of Elementary School Principals, and National Education Association are all members of CAC. The commitment of these unions is questionable since they consistently have opposed efforts at substantive education reform such as genuine school choice. Some might suggest they are motivated by self-interest and are using this issue as a way to obtain more tax dollars for themselves and their programs.

Sharing many of CAC's goals is the National Coalition for Youth, convened in 1991 by its parent organization, the Coalition of Community Foundations for Youth. The latter was underwritten by the Rockefeller Foundation with a $500,000 seed grant and launched in Dallas with a three-day workshop focusing on social marketing and media planning. California State University professor Raphael Sonenshein, speaking at the workshop, emphasized the importance of "politics" and stated: "We don't want to be vulnerable to waves of public opinion we haven't shaped." He laid out a plan on how to "become propaganda people for children, not 'advocates.' I know it's hard for you, but swallow the word: become a propagandist for children."

The so-called children's advocacy movement, however appealing its stated goals may seem, is really a movement for power, politics, and money — the pursuit of federal tax dollars. Its policy prescriptions mean continual expansion of federal programs and more government control at the expense of the family and individual responsibility. They are part of a much larger struggle to weaken — if not eliminate — private health care for all Americans.

The danger is that, with an election looming, public policy decisions may be based on appeals to emotion rather then common sense analysis.

Capital
Research
Center

Information on this page was provided by Robert V. Pambianco, editor of *Organization Trends*, a monthly publication of the Capital Research Center. For more information, contact the Capital Research Center, 1612 K Street NW, Suite 704, Washington, DC 20006, phone 202/822-8666, fax 202/785-5634.

Focus on:

PRIVATIZATION

New Privatization Center, Hotline

The Reason Foundation has opened its new Privatization Center. The Center will be a national clearinghouse for state and local privatization information. The Center will draw on the Reason Foundation's experience in privatization in providing guidance to local officials, state and local think-tanks, taxpayer groups, and the news media.

The Privatization Center Hotline, (310) 391-6525, is open to anyone with questions about privatization.

Bush Pushes Infrastructure Privatization

President Bush on April 30 signed a far-reaching executive order aimed at stimulating private investment in the nation's infrastructure. Specifically, the measure redefines federal guidelines for state and local governments to use in repaying a portion of any previous federal grants, making it more attractive for local governments to privatize assets. The order also directs all relevant federal agencies to align their policies to be supportive of local privatization efforts.

Reason Study Estimates Privatizable Assets: $227 Billion

A recent Reason Foundation study estimates that state and local governments could realize $227 billion from the sale of infrastructure assets such as toll roads, ports, etc. (See Table). This figure does not include the future revenue from property taxes on assets if they were privately held.

Vice President Quayle Urges Sale of Los Angeles Airport

Responding to the need for funds in Los Angeles due to the riot, Vice President Quayle suggested the sale of Los Angeles International Airport as a means of raising revenue. Reason Foundation President Bob Poole has long advocated such a sale as a way to improve operating efficiency and generate revenue. The city has commissioned a panel to study the issue.

Privatization Survey Released

A new survey confirms that government officials are making greater use of privatization techniques and becoming increasingly aware of the potential benefits of working with the private sector. The findings were released in a report entitled “State Government Privatization 1992,” produced by Apogee Research, Inc., a consulting firm specializing in policy analysis.

The 1992 survey revealed an increase by state governments in the use of private sources to secure new facilities and improve infrastructure. The study noted that “recently, several notable facilities projects have been undertaken, including the acquisition of tollways and prisons through the private sector.”

SALABLE STATE AND MUNICIPAL ENTERPRISES

Enterprise Type	Estimated Number	Est. Value (in billions)
Airports	87	29.0
Electric Utilities	2,010	16.7
Gas Utilities	800	2.0
Highways/Bridges	n/a	95.0
Parking Structures	37,500	6.6
Ports	45	11.4
Turnpikes	8	7.4
Water Systems	34,461	23.9
Wastewater Plants	15,300	30.8
Total Est. Value		$222.8

Source: Reason Foundation Policy Insight #139

Indianapolis Mayor Embraces Privatization, Downsizing

Since taking office earlier this year, Indianapolis Mayor Stephen Goldsmith has already made a big impact on the way Indianapolis is run. In February, Goldsmith announced the formation of the “Service, Efficiency and Lower Taxes for Indianapolis Commission” (SELTIC), which is making recommendations on privatizing service delivery and asset sales.

Reason Foundation

Information on this page was provided by Robert W. Poole, Jr., president of the Reason Foundation. For more information, contact the Reason Foundation, 3415 South Sepulveda Boulevard, Suite 400, Los Angeles, CA, 90034, phone 310/391-2245, fax 310/391-4395.

Focus on:

ENVIRONMENT

Job Losses From Global Warming Treaty

The CONSAD Research Corporation recently released the findings of its analysis of the economic impacts of current proposals to restrict carbon dioxide emissions in response to fears of global warming. These proposals involve taxing fossil fuels (coal, oil and natural gas) in proportion to their propensity to produce carbon dioxide when burned.

Within the first three years under such a tax, as many as 360,000 Americans would lose their jobs, rising to more than 600,000 by the year 2000. More than 1.6 million jobs could be eliminated by the year 2005. See Table for projected job losses (through the year 2000) for the fifteen most affected states.

Job Losses Due to Global Warming Treaty (15 most-affected states)	
Texas	74,000
California	46,300
Pennsylvania	41,800
Ohio	36,600
Illinois	32,800
Indiana	24,800
Louisiana	24,800
Michigan	23,000
Kentucky	21,200
New York	21,000
West Virginia	20,700
Virginia	15,300
New Jersey	15,300
Oklahoma	14,000
Alabama	13,300

Bush Signs Environmental Agreement

President Bush recently signed an agreement at the "Earth Summit" in Rio de Janeiro that commits the United States to pursue measures to limit its emissions of greenhouse gases. Although there are no specific timetables or schedules for compliance, the agreement binds the U.S. to measure emissions of carbon dioxide and other gases and to submit periodic reports to international agencies, with the clear understanding that the United States will work toward reductions.

Holes in the Ozone Theory

It has been known for decades that ultraviolet radiation from the sun, prolonged exposure to which can lead to skin cancer, increases dramatically in intensity as one approaches the equator. Ultraviolet radiation is approximately 5000 percent stronger at the equator than at the poles. Now, apparently even NASA has discovered this fact. At an April 30th press conference, NASA scientist Robert Watson admitted that the decline in stratospheric ozone predicted by his department would result in an increase in ultraviolet exposure similar to moving approximately 100 miles closer to the equator — about the distance from Washington, DC to Richmond, Virginia. Unfortunately, NASA does not give such reassuring facts the same publicity and prominence as the frightening claims that Man is "destroying" the ozone and threatening all life on earth.

Northwest Timber Industry Endangered

The recent decision by a specially convened, high-level panel of administration and Oregon state officials (referred to as the "God Squad") to permit 13 out of 44 federally owned forest parcels to be cut was greeted as a calamity by many environmental leaders and lobbyists. But the truth of the matter is that only 1,742 acres will be cut, none within the 6.9 million acre "critical habitat" outlined for the spotted owl.

Millions of acres of "old growth" forest are essentially closed to the declining timber industry in the Northwest, because of the claim that the spotted owl can only live in undisturbed forests that are centuries old. Yet the spotted owl (treated as a "threatened" species under the Endangered Species Act) has been found living in second and third growth timber.

Ominously, there is nothing in the current Endangered Species Act that exempts privately owned land from similar treatment. Even worse, the environmental groups continue to oppose any payment of just compensation to landowners, even though it is required under the Fifth Amendment to the U.S. Constitution. Someone needs to declare private property rights an endangered species.

CEI

Information on this page was provided by Kent Jeffreys , director of environmental studies at the Competitive Enterprise Institute, 233 Pennsylvania Avenue SE, Suite 200, Washington, DC 20003, phone 202/547-1010, fax 202/546-7757

Focus on:

TAXES

$7.9 Billion in New Taxes

A new Tax Foundation survey of the 50 states reveals that new taxes in excess of $7.9 billion have been enacted or proposed for fiscal year 1993. After record tax increases of $17 billion in fiscal year 1992 and $10.3 billion in fiscal year 1991, the proposed FY 93 revenues will be the third largest increase since 1984. Moreover, this $35.2 billion in new revenues over a three-year period is $12.2 billion more than was added in the entire decade of the 1980s.

Obscure Revenue Sources

After last year's substantial increases in individual and corporate income taxes and sales taxes, lawmakers in many states are resorting to a variety of inventive revenue-raising measures: subjecting previously exempt items to sales tax; increasing existing fees and imposing new fees on new products and services; extending temporary tax increases; deferring tax relief legislation; accelerating tax collections; and strengthening audit and administrative enforcement activities.

Top Taxers: NY, FL, MD

Three states — New York, Florida and Maryland — account for more than half of the total increase. New York has the largest tax increase on the drawing board: a plan to extract $1.6 billion in new revenue from a variety of measures, such as extending sunsetting provisions and increasing fees. Florida is contemplating $1.5 billion in new revenue, mostly from sales and business taxes. Maryland taxpayers, still adjusting to $90.1 million in new taxes from FY 92, are preparing themselves for a hit almost ten times as large, $875 million, enacted in April of this year.

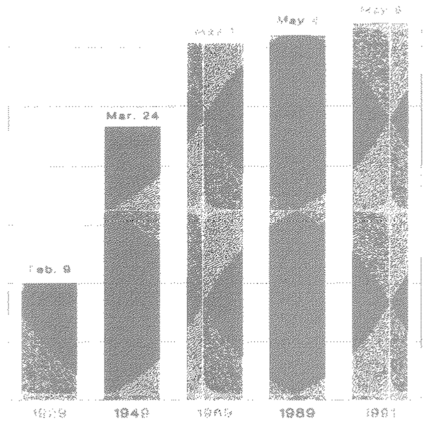
Individual Income Taxes

Eight states are contemplating changes in personal income taxes, with New York and Maryland having passed the largest increases. New York extended its temporary increase in the top income tax rate and froze standard deductions at 1991 levels to raise $730 million. Maryland raised its top rate from 5 to 6 percent, increasing revenues by nearly $100 million. Colorado is also considering raising its personal income tax rate from 5 to 6 percent for a $340 million boost in revenue. Arizona and Massachusetts are the only states considering income tax reductions.

Corporate Taxes

Corporations will also feel the pinch of new taxes as states plan to siphon $880 million in additional revenues from businesses through increases in income taxes, filing fees, intangibles taxes, and changes in tax payment methods. Businesses in Massachusetts may see a hike in their unemployment compensation costs for employees. In New York, the 15 percent business tax surcharge scheduled to drop to 10 percent was extended for the next two years.

Tax Freedom Day*



*The date on which the average person will finish paying federal, state, and local taxes if all earnings since Jan. 1 were turned over to governments to fulfill tax obligations.

Sales Taxes

Three states — Iowa, Mississippi, and Tennessee — are planning to bring in nearly $1.1 billion by raising sales tax rates, and sales taxes are second only to miscellaneous taxes as state revenue-raisers this year. But far more popular than rate raising is base broadening, that is, subjecting more products and services to the current sales tax rate. Florida, Louisiana, Maryland, Minnesota, Ohio, Rhode Island, South Carolina, Virginia, and Washington, DC have proposed broadening their sales tax bases to include items such as 900 numbers, cable TV, snack foods, and various sewage and solid waste services. All told, this base broadening will garner over $952 million in new FY 93 revenue.

Information on this page was provided by William Ahern, director of public information at the Tax Foundation. For more information, contact the Tax Foundation, 470 L'Enfant Plaza SW, Suite 7400, Washington, DC 20024, phone 202/863-5454, fax 202/488-8282.

Focus on:

FAMILIES

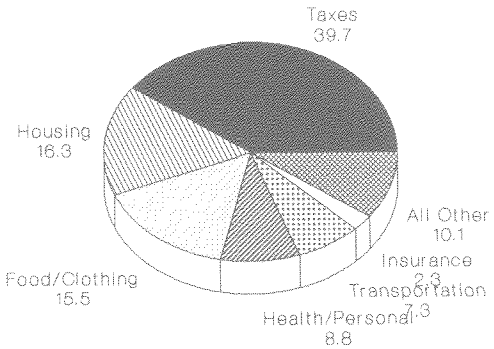
Paying for the '60s

Many of today's children pay a high price for the cultural revolution that began during the 1960s. According to researchers Victor R. Fuchs and Diane M. Reklis of Stanford University, "American children are in trouble," and a substantial part of that trouble can be traced to the cultural changes that began during the 1960s.

Since 1970, the poverty rate among children has climbed dramatically, in large part because of the growing number of female-headed households, a trend fostered by the cultural metamorphosis of the 1960s. In 1960 only 7 percent of American children lived in households without an adult male present, but by 1988 that figure had risen to 19 percent.

"America's Children: Economic Perspectives and Policy Options," SCIENCE 255 [1992]: 41-46.

How the Typical Family Will Spend a Dollar in 1992



The Tax Foundation

Living Together

As marriage rates have plummeted in recent years, the number of couples living together outside wedlock in cohabitational unions has risen sharply. In a recent study at the University of Wisconsin — Madison and Johns Hopkins University, sociologists point out that among women ages 25 and younger, three-quarters of the drop in the marriage rate since the 1960s has been "offset by increased cohabitation."

But in many ways cohabitation appears not only very different from marriage, but actually subversive of marriage. For instance, the researchers report that "cohabiting unions are much less stable than [unions] that begin as marriages. Forty percent [of cohabiting unions] will disrupt before marriage and marriages that are preceded by living together have 50 percent higher disruption rates than marriages without premarital cohabitation."

"The Role of Cohabitation in Declining Rates of Marriage," JOURNAL OF MARRIAGE AND THE FAMILY 53 [1991]: 913-927.

Youth in Peril

Recently, sociologists at Case Western Reserve University analyzed the "environments that place children and adolescents at particularly high risk for problems in health and development." After weighing a number of social and economic trends, the scholars concluded by stressing family life. "The single variable that was the strongest predictor of child and adolescent risk across the board," write the authors of the new study, "was the rate of births to unmarried mothers."

"Geographic Concentration of Poverty and Risk to Children in Urban Neighborhoods," AMERICAN BEHAVIORAL SCIENTIST 35 [1992]: 238-257.

Pushed into Poverty

Why has poverty grown so common among American children in recent decades? In a new investigation, researchers David Eggebeen and David Lichter conclude that over half (51 percent) of the increase in poverty among children between 1980 and 1988 "can be accounted for by changes in family structure during the 1980s." The analysis shows that many more children are living in poverty now than in 1970 because many fewer children are living in married-couple families.

The effects of family structure on poverty among children have actually grown more pronounced over time. "In 1960, children in female-headed families were three times more likely to be poor (as measured by the official rate) than were children living with both parents. By 1988, these children were five times more likely to be officially poor."

"Race, Family Structure, and Changing Poverty Among American Children," AMERICAN SOCIOLOGICAL REVIEW 56 [1991]: 801-817.

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Information on this page was provided by Bryce J. Christensen, editor of *New Research*, a monthly supplement to *The Family in America*, published by The Rockford Institute. For more information, contact Allan Carlson or Dr. Christensen at The Rockford Institute, 934 North Main Street, Rockford, IL 61103, phone 815/964-5053, fax 815/965-1826.

Focus on:

HEALTH CARE

Play or Pay Will Cost Jobs

A new report, *"Run From Coverage: Job Destruction from a Play or Pay Health Care Mandate,"* analyzes the employment consequences of a so-called "play or pay" national health insurance proposal to be funded by a 7 percent employer tax. Researchers found that over 710,000 workers will lose their jobs in the first year of such a plan; 43 percent of the lost jobs will be in small businesses; and workers who lose their jobs will be low-skilled, low-wage workers who will find it most difficult to regain work.

***Health Care Briefing Paper No. 5*, Joint Economic Committee Republican Staff, April 9, 1992.**

How They Don't Do It In Canada

Michael Walker, executive director of a Vancouver-based research organization, reports that Canada spends less of its GDP on health care not because the nation has found a way to produce health care at lower unit costs, but because they have found a way to limit the total supply of health care services made available. The Canadian government does not permit prices to play a role in allocating health care resources in Canada. Instead, the supply of health care is rationed. Treatment is denied to some patients, others are made to wait for treatment.

***Reason*, Reason Foundation, March 1992.**

Health Care in U.S. a Bargain

A new study questions the popular belief that Canada spends less on health care than the U.S. While it has been reported that Canada spends $1,481 per-capita on health care compared to $2,659 per-capita in the U.S, this comparison is not accurate. Canadian figures exclude spending on dental care, prescriptions, ambulance service, private hospital rooms, eyeglasses, and other items whose expenditures are *included* in U.S. per-capita spending figures.

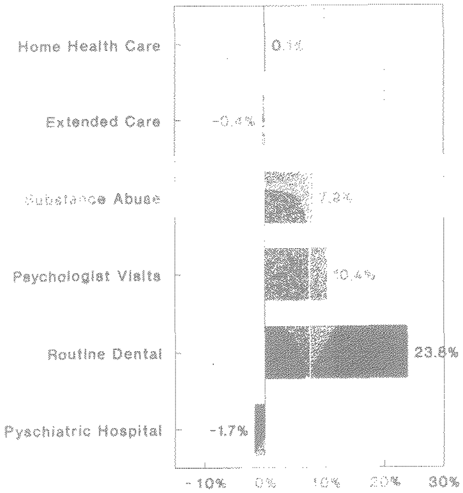
***National Policy Analysis No. 76*, The National Center for Public Policy Research, January 1992.**

Survey: More Government Involvement Will Make Matters Worse

A new survey by Louis Harris and Associates, Inc. conducted for the Metropolitan Life Insurance Company shows little support for increased government involvement in health care among health care payors, regulators, administrators, and providers. Seventy-nine percent of those surveyed felt government takeover of the health care system would make things worse; 72 percent felt a "comprehensive government health insurance program" would increase costs; and 67 percent felt such a program would lower the quality of care.

***Study No. 902026*
Metropolitan Life Insurance Company, One Madison Avenue, New York, NY 10010-3690.**

Increase/Decrease in Insurance Premium Caused by Mandated Health Benefits



Gail Jensen and Michael Morrisey, cited by NCPA, "An Agenda for Solving America's Health Care Crisis"

Government Intervention Doesn't Help

Rexford E. Santerre, Stephen G. Grubaugh, and Andrew J. Stollar recently investigated the relationship between government spending on health care and infant mortality rates in 20 countries, including the U.S. and Canada. One key finding of their report is that "greater government involvement has no impact on infant mortality."

***The Cato Journal*, Cato Institute, Volume 11, Number 1.**

Information on this page was provided by Joseph L. Bast, president of The Heartland Institute and co-author of *Why We Spend Too Much on Health Care*. For more information, contact Joseph Bast at The Heartland Institute, 634 South Wabash, Second Floor, Chicago, Illinois, 60605, phone 312/427-3060, fax 312/427-4642.

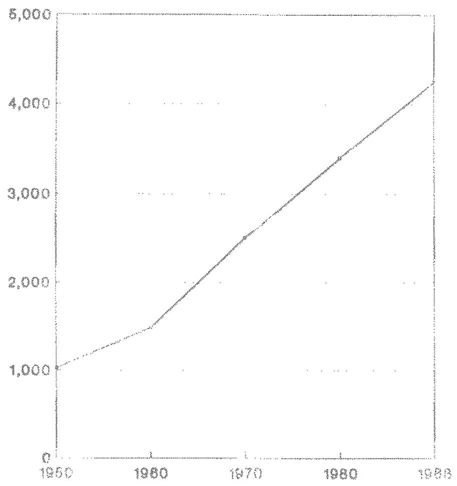
Focus on:

EDUCATION

More Money + More Staff = Poorer Results

After forty years of substantial and increasing investment in education we have very little to show for it. In forty years we have doubled, proportionally, the number of people employed in elementary and secondary education, and in *constant* dollars have quadrupled our investment. Meanwhile test scores fall.

Investment Per Student in
Public Elementary & Secondary Schools
(in constant 1986-87 dollars)



U.S. Dept. of Education, Digest of Education Statistics

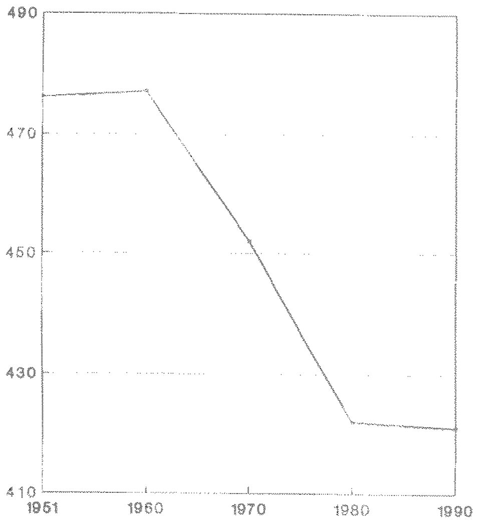
Our public educators are never satisfied with the funds at their disposal. They predict shortfalls, threaten strikes and decry the "inequity" of the system.

Unlike parents who know that spending money with too much abandon can harm their children, educators demand even more, alleging that school districts spending less than others are shortchanging their students, even though some low-spending districts consistently outperform better-funded ones.

If taxpayers had been pikers these past many years, one could say it might be time to pay the piper. However, the piper has already been paid, time and time again. It is time to consider that the problem is not how *much* is being spent, but how well it is spent.

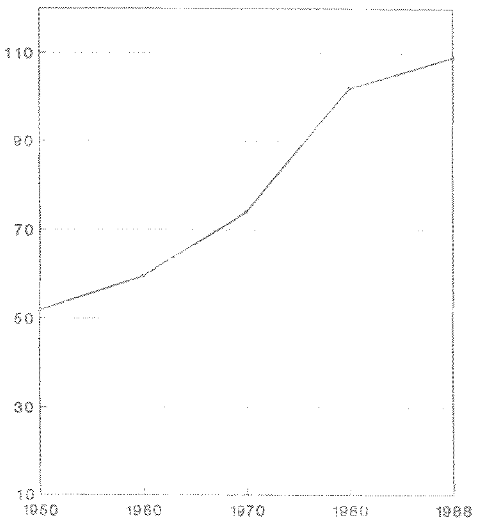
Costs will continue to rise and productivity to fall as long as a monopoly controls public education. Competition and choice are necessary to reward good schools and penalize bad ones. We need to give all students their tax dollars to attend a school of their choice, public or private. Only then will we see satisfaction and performance rise while the monopoly bureaucracy and its many excessive costs fall.

SAT Test
Verbal Scores



U.S. Dept. of Education, Digest of Education Statistics

Staff Members per 1000 Students
Public Elementary & Secondary Schools



U.S. Dept. of Education, Digest of Education Statistics

CENTER FOR REBUILDING AMERICA'S SCHOOLS

Thomas Hetland, FSC is the Executive Director of The Center for Rebuilding America's Schools. He is a member of the Christian Brothers and was for twenty years a high school teacher and administrator. For more information, contact Thomas Hetland, The Center for Rebuilding America's Schools, 634 South Wabash, Second Floor, Chicago, Illinois 60605, phone 312/427-3060, fax 312/427-4642

RESEARCH REPORT

Summaries of Research on State and Local Public Policy

Budget

"Transit Spending and Economic Growth," John Semmens, *A Heartland Perspective*, The Heartland Institute, February 25, 1992. There isn't a single public transit system in any major city in the U.S. that comes even close to covering its cost from paying customers. Transit's perpetual deficits are a heavy burden on the taxpayers forced to subsidize them.

"America's Protected Class," Wendell Cox and Samuel A. Brunelli, *The State Factor*, American Legislative Exchange Council, February 1992. State and local employees are protected from the market forces that set the wages and benefits of private sector employees. Between 1980 and 1989, private sector employee compensation increased by 3.4 percent; average compensation for state and local government employees increased 14.6 percent.

"Pro-Growth 'Adjustments' to Governor Cuomo's Executive Budget," Raymond J. Keating, *Economic Perspective*, New York Citizens for a Sound Economy Foundation, March 3, 1992. New York Governor Mario Cuomo's 1992-1993 Executive Budget advocates increased taxes, spending, and government indebtedness — a prescription for continued ill economic health. Keating recommends a pro-growth agenda of privatization and competitive contracting, tax cuts, and education vouchers. Write NYCSEF at P.O. Box 1954, Albany, NY 12201-1954.

"A Fiscal Policy Report Card on America's Governors," Stephen Moore, *Policy Analysis No. 167*, Cato Institute, January 30, 1992. Ranks 45 governors (excludes Alaska and four other states whose governors were newly elected in November 1991) on a measure of fiscal responsibility. *The best*: William Weld (Massachusetts) and Michael Sullivan (Wyoming). *The worst*: Gaston Caperton (West Virginia), James Florio (New Jersey), Bob Miller (Nevada), John Waihee (Hawaii), Lowell P. Weicker (Connecticut), and Pete Wilson (California).

"1992 Congressional Pig Book," Council for Citizens Against Government Waste. Exposes billions of dollars of self-serving pork barrel spending by U.S. Senators and Congressmen. *Examples*: $25 million for an "Arctic region supercomputer"; $2.0 million for truck driver fatigue research; $1.7 million for Pacific Tuna Management; and $1.5 million for a bicycle and pedestrian pathway in Washington, DC.

"The 1990s Will be the Decade of the States," Pennsylvania State Representative Fred C. Noye, *States & Nation*, American Legislative Exchange Council, January 1992. State legislators cannot continue business as usual. *Why*: Between 1980 and 1989, state expenditures increased, on average, 8.5 percent per year — more than twice the rate of inflation. State taxes rose by 117 percent and local taxes by 136 percent. Yet state budget reserves have dwindled to 1.5 percent (5 percent is considered necessary for fiscal stability).

"Cranking the Debt Machine," Edwin S. Rubenstein, *The City Journal*, Manhattan Institute, Winter 1992. The total debt of New York State's 17 public authorities was *$52 billion* on September 30, 1990 — nine times greater than the state's general obligation debt. *Fact*: Nationwide, public authority debt represented *90 percent* of total state debt in 1990.

Civil Rights

"Affirmative Action Reconsidered," Terry Przybylski, *A Heartland Perspective*, The Heartland Institute, February 11, 1992. It is time for a full and honest debate over the effectiveness and moral validity of affirmative action programs.

"Dial 911 and Die!" Jay E. Simkin, *A Heartland Perspective*, The Heartland Institute, April 14, 1992. *Problem*: Police officers have no duty to protect individual citizens. *Solution*: Allow citizens to carry a concealed weapon for deterrence and self-protection.

"Gay Rights — or Straight Privileges," John Dentinger, *The Pragmatist*, April 1992. Exposes government as the biggest discriminator against homosexuals and encourages the gay rights movement to maintain its focus on the "manifest injustices" gays suffer "at the hands of the state."

Education

"School Reform in Arizona: An Assessment of the Final Report of the Governor's Task Force on Educational Reform," Terry M. Moe, *Arizona Issue Analysis #121*, Barry Goldwater Institute, February 1992. Calls the Task Force report "a grab-bag that fails to make intellectual sense." *Major shortcomings*: limits choice to public schools only, manages decentralization by imposing top-down controls, ignores teachers' unions as an impediment to reform.

"Everything's Up to Date," Blake Hurst, *Reason*, Reason Foundation, March 1992. When a federal court held the State of Missouri and a Kansas City school district liable for segregation, other school districts paid the price. Kansas City schools boast an Olympic-sized swimming pool ($200,000 a year from the state), a $1.3 million field house, and a $150,000 weight room. In 1991, Kansas City's school superintendent appropriated an extra $71 million — about 10 percent of the total state budget for education — to cover overruns in Kansas City's construction budget. Every other school district in the state had its funding cut.

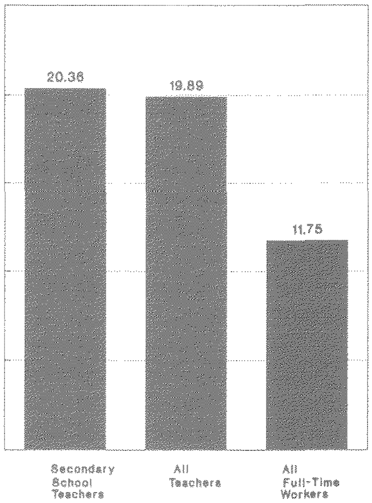
"Using Private Schools to Promote Public Values," Stephen D. Sugarman, *Legal Forum*, The University of Chicago, Volume 1991. Explores educational choice and its potential for promoting such "public values" as efficiency ("more educational bang for the buck"), pluralism and diversity, improved educational opportunity for the disadvantaged, and family relationships. Comments on choice programs/proposals in Milwaukee, Minneapolis, Kansas City, and Oregon.

"A Role for American Private Elementary and Secondary Schools in the 1990s," Stephen D. Sugarman, *William and Mary Law Review*, Spring 1990. Through the use of a targeted educational voucher program, private schools can be employed to help communities achieve racial integration goals.

Education Town Meetings. Forty-three states, two territories, more than 1100 communities, and nearly 900 local chambers of commerce are working to achieve national education goals through the America 2000 strategy. Satellite Town Meetings, allowing America 2000 participants to share ideas and experiences on each of the six national education goals, are scheduled for July 28, September 1, October 13, and November 17. For satellite coordinates and additional information, call 1-800-USA-LEARN.

"Measuring Adolescent Educational Transitions among African Americans, Hispanics, and Whites," Robert M. Hauser, *IRP Discussion Paper No. 951-91*, Institute for Research on Poverty, University of Wisconsin. *New empirical study concludes*: Black and Hispanic high school graduates with the same social and economic backgrounds as majority whites stand an equal or better chance as whites of attending college upon graduating from high school. Contact the Institute for Research on Poverty, 1180 Observatory Drive, University of Wisconsin, Madison, WI 53706; phone 608/262-6358.

Average Hourly Pay for Teachers vs. Other Full-Time Workers (1989)



"Dollars and Education Achievement: Ohio and the Nation," Richard Vedder, Alfred Eckes, and Mark Sonntag, Contemporary History Institute, January 1992. Class size, increased teacher pay, the size of school libraries, and physical plant have little bearing on student achievement. Seventeen Ohio school districts fall in the bottom 20 percent in spending but rank in the top 20 percent in student performance. Conversely, 10 Ohio schools with per-pupil spending in the top 20 percent nevertheless rank in the bottom quintile of achievement. Write the Contemporary History Institute, Brownhouse, Ohio University, Athens, OH 45701; phone 614/593-4356. The report is available at no charge.

"Is a Private Education Really Better?" and three other articles by *Los Angeles Times* reporter Jean Merl, abbreviated and reprinted in *Network News & Views*, Educational Excellence Network, May 1992. An interesting four-part exploration of private education, including a discussion of the quality of private schools, how parents find the right school, how Catholic schools serve inner-city students, and why interest has been rekindled in single-sex schools.

National Education Standards. The Educational Testing Service (ETS) Policy Information Center has produced two handy references on national standards for education. The first, a "workbook," presents examples of education standards from Britain's national math curriculum, California's science curriculum, NAEP science and geography proposals, and others. The second is a brief paper that addresses statistical and methodological issues associated with national exams. Write the Educational Testing Service, Policy Information Center, Rosedale Road #R-120, Princeton, NJ 08541; telephone 609/734-1191. The workbook is $4.75, the paper $2.50.

"Uplifting Education," Paul T. Hill, Josephine J. Bonan, and Kelly Warner, *Network News & Views*, Educational Excellence Network, May 1992. Summarizes the five major conclusions of a RAND Corp. study of site-based school management. School boards and central offices must recognize that *their* structures, operations, and cultures — not just their schools' — must change if site-based management is to improve students' education.

"Can You *Not* Teach Morality in Public Schools?" Ben Wildavsky, *Network News & Views*, Educational Excellence Network, March 1992. (Reprinted from the Winter 1991/92 issue of *The Responsive Commu-*

THE HEARTLAND INSTITUTE

■ Chicago ■ Cleveland ■ Detroit ■ Kansas City ■ Milwaukee ■ St. Louis

Quarterly Performance Report

By Joseph L. Bast

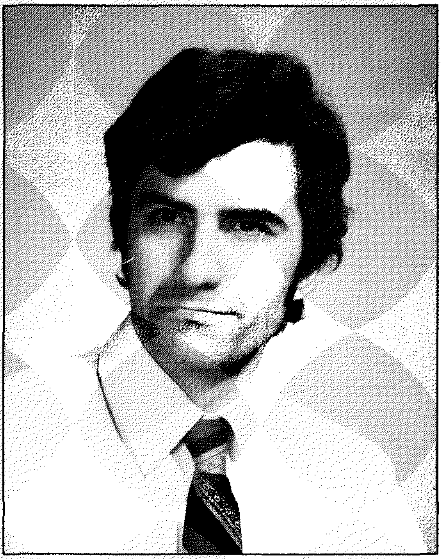
In my March quarterly report, I described five public policy victories attained recently by The Heartland Institute. These victories included favorable state supreme court decisions in Wisconsin and Minnesota, the defeat of tax increase proposals in Illinois and Missouri, and the defeat of government subsidies to sport stadiums and arenas in Montana and Illinois.

In this report, I will focus on six breakthroughs that are bringing The Heartland Institute to the forefront of national debate on a wide range of public policy issues. In each case, Heartland's research and publications are reaching audiences of unprecedented size and influence, creating new opportunities for improving public policy.

Breakthrough #1

Educational Choice

The Heartland Institute is taking a giant leap forward in its role as a leading source of research and commentary on school reform and educational choice. Leading Heartland's new Center for Rebuilding America's Schools is executive director **Thomas Hetland, FSC**, a Christian Brother and former inner-city high school teacher. Hetland is being helped by a distinguished Board of Governors composed of **Arthur Velasquez** (chairman and CEO of Azteca Foods), **Lee Walker** (president of the New Coalition for Social and Economic Change), **Dr. Herbert Walberg** (Research Professor of Education, University of Illinois - Chicago), **Arthur Gottschalk** (former president of the Illinois Manufacturers Association), **James C. Miller** (former president and CEO of Intermatic Corporation), and **Joseph Bast.**



Joseph L. Bast, President
The Heartland Institute

Mission

The mission of The Heartland Institute is to apply cutting-edge research to state and local issues. Heartland's researchers focus on alternatives to relying on government programs; their efforts are leading to lower taxes and less government spending.

Hetland has addressed over thirty multi-denominational school groups all over the Chicago area in order to bring information about the school choice movement to a diverse and widespread constituency. He has built a network of over 300 people interested in actively participating in the educational choice movement in their communities.

In addition, Hetland has represented Heartland at four major conferences: the Educational Choice Roundtable in Atlanta in January and again in Chicago in April, a conference sponsored in Washington by the American Legislative Exchange Council in February, and a Los Angeles meeting in June sponsored by California choice proponents. He also has addressed three educational leadership groups on the issue of school choice: the Northern Illinois Lutheran Principals Association, the National Montessori Convention, and the National Catholic Education Association Convention.

> The Heartland Institute is taking a giant leap forward in its role as a leading source of research and commentary on school reform and educational choice.

On July 7, we learned that the Center's most ambitious plan — to design, implement, and evaluate a pilot educational choice program in Chicago — came within inches of being funded. "The Heartland Plan" was submitted in February to the New American Schools Development Corporation (NASDC), a privately funded corporation created

President: Joseph L. Bast
Executive Directors: Alejandro Bertuol, Chicago • Kirby Brant, Milwaukee • Bradley J. Furnish, Kansas City • Emmett McAuliffe, St. Louis • Thomas Shull, Detroit • Peter Thusat, Cleveland
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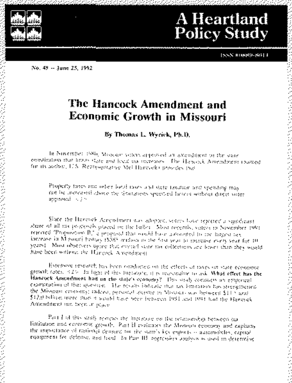
New from The Heartland Institute

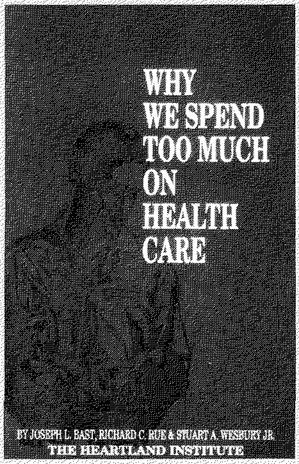
Taxes


A Heartland Policy Study

The Hancock Amendment and Economic Growth in Missouri

By Thomas L. Wyrick, Ph.D.

The Hancock Amendment and Economic Growth in Missouri, by Thomas L. Wyrick, **Heartland Policy Study #49**, June 25, 1992. A fantastic tool for opponents of high taxes in every state! This scholarly but readable report describes Missouri's constitutional limit on state and local tax increases and its effect on personal income growth in the state. "...[B]etween 1981 and 1991, Missourians earned in excess of $11.0 billion more than they would have had the Hancock Amendment not been in place." Full text of the amendment appears in appendix. (10 pages, $4.50)

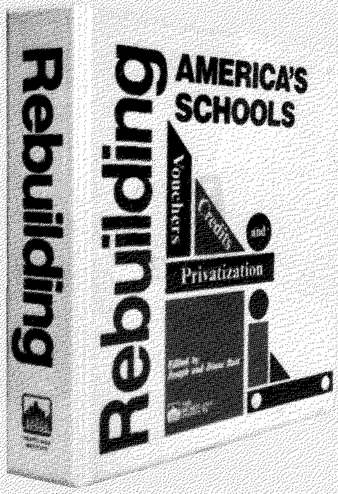

WHY WE SPEND TOO MUCH ON HEALTH CARE
BY JOSEPH L. BAST, RICHARD C. RUE & STUART A. WESBURY JR.
THE HEARTLAND INSTITUTE

Health Care

Why We Spend Too Much on Health Care, by Joseph L. Bast, Richard C. Rue, and Stuart A. Wesbury, Jr., January 1992. Finally, a thorough but succinct explanation of why health care spending in the U.S. is too high and what can be done about it! This book exposes the deterioration of health care in Canada and Britain and shows why adopting national health insurance or "pay or play" would cause health and financial catastrophes in the U.S. The true causes of unnecessarily high spending are rigorously documented: government tax policy, over-regulation, and inflationary payment procedures in Medicare and Medicaid. Detailed reform agenda and sources for further information are presented. Over 20,000 copies already in circulation! (130 pages, paperback, $8.95)

School Reform

Rebuilding America's Schools: Vouchers, Credits, and Privatization, edited by Joseph and Diane Bast with contributions by Robert Wittmann et al., 1991. This collection of eight **Heartland Policy Studies** in an attractive three-ring binder contains everything a concerned parent and taxpayer needs to know about reforming America's schools. Reports present the case for educational choice, design guidelines, marketing strategies, sample legislation, answers to difficult questions, and much more. Called "the best piece of work done so far in a very, very usable form" (Carl Fynboe, Washington Federation of Independent Schools); "a splendid job" (Nobel Laureate Milton Friedman); and "a major triumph for The Heartland Institute" (Edward Crane, Cato Institute). An indispensable reference for school reform activists. (340 pages, $45.00)



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Dr. Thomas Vitullo-Martin, an advisor to Heartland's Center for Rebuilding America's Schools, spoke at a March event hosted by The Heartland Institute.

at President Bush's request to finance research on "break-the-mold" school reform plans. The corporation expects to spend $200 million during the next five years to support eleven of the most promising plans.

Of some 686 proposals submitted by many of the nation's leading universities, businesses, think tanks, and government agencies, The Heartland Plan was one of only **sixteen** finalists in the competition. The Heartland Plan was the only finalist that made educational choice — including the right to choose a private school — the foundation of its plan. Nearly all of the nation's most prominent supporters of educational choice — including **Dr. David Armor**, **Dr. Gary Becker**, **Dr. James Coleman**, **Dr. Eric Hanushek**, **Dr. Myron Lieberman**, and **Dr. Edwin G. West** — had planned to participate in the effort.

The Heartland Plan is being resubmitted to other potential funders in the hope that it will be funded in time to influence the 1993-1994 school year. With ballot status unlikely for a 1992 educational voucher initiative in California, The Heartland Plan is the choice movement's most promising opportunity to implement a genuine voucher program. Moreover, involvement in the plan by the nation's leading choice experts promises to produce genuine breakthroughs in the design and implementation of a voucher program. (Copies of the 50-page Heartland Plan are free to Heartland Sponsors and $10 for all others.)

Heartland policy analysts Dyanne Peterson and Thomas Hetland, FSC, have led Heartland's school reform efforts.

Breakthrough #2

Health Care

In January, The Heartland Institute published *Why We Spend Too Much on Health Care*, by **Joseph L. Bast**, **Richard C. Rue**, and **Stuart A. Wesbury, Jr.** Gifts from **Eli Lilly and Co.**, **Golden Rule Insurance Company**, and the **Daniel F. and Ada L. Rice Foundation** made possible the writing of the book and an initial press run of 7,000 copies. Heartland distributed 5,000 complimentary copies to legislators, media, policy analysts, industry spokespersons, and Heartland Sponsors.

While Why We Spend Too Much on Health Care sells like hotcakes, Heartland policy analysts Eric Banfield and Dyanne Petersen are speaking out against national health insurance at conferences and hearings from coast to coast.

Unexpectedly strong sales of the book — particularly to hospitals for distribution to trustees — and complimentary distribution of the book at hearings and conferences soon exhausted the first printing.

Dr. Stuart A. Wesbury is a coauthor of Heartland's latest book, *Why We Spend Too Much on Health Care*.

Just six months after its release, *Why We Spend Too Much on Health Care* has already entered its third printing.

New contributions from **Golden Rule Insurance, Eli Lilly,** and the **Illinois State Medical Society** made a second printing of 7,000 copies possible in early June. **Time Insurance Co.**, based in Milwaukee, Wisconsin, then ordered a third

We Gratefully Recognize the Following Corporations and Foundations For Their Support in 1992

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World Heritage Foundation
Xertrex International

printing of 7,000 copies for distribution to its management and sales force! We are now approaching other insurance companies, trade associations, and medical societies for additional bulk sales.

While Why We Spend Too Much on Health Care sells like hotcakes, Heartland policy analysts **Eric Banfield** and **Dyanne Petersen** are speaking out against national health insurance at conferences and hearings from coast to coast. Both attended the Midwest Business Group on Health's annual meeting in March, thanks in part to a donation from **Marion Merrell Dow** to offset the event's registration fees. Eric Banfield has testified at meetings of the National Association of Insurance Commissioners in Houston, Seattle, and Washington D.C., and at a legislative hearing in Springfield, Illinois.

Eric C. Banfield testifies for The Heartland Institute at a recent hearing on national health insurance.

Heartland also has generated considerable press coverage for its research on health issues. Exclusively Yours Magazine (Milwaukee) used our book as the basis for a cover story on health care spending. Over a dozen newspapers have run editorials based on the book, and scores more ran op-eds on health care issues written for Heartland by **William Dale, David Danielson, William Irvine, William Hunter**, and **Joseph Bast**.

Breakthrough #3

Intellectual Ammunition

In March, I reported our plans to transform *The Madison Report*, our bimonthly magazine for state and local think tanks, into a monthly magazine for state legislators. The results of that effort surround this Report.

The new publication, *Intellectual Ammunition*, is a long-overdue addition to the ranks of magazines that target state legislators and governors. Unlike *Governing, State Legislatures*, and *State Government News*, *IA* addresses state and local public policy from the perspective of taxpayers, not tax spenders. *IA* highlights ways to reduce unnecessary government spending, not ways to "sell" new government programs to reluctant taxpayers.

Intellectual Ammunition will bring Heartland's research, as well as the research of over 70 other think tanks and research foundations, to the attention of every state legislator, governor, and state constitutional officer in the U.S. *IA* will multiply Heartland's reach nearly eight-fold, and approximately double the frequency of our contact with elected officials in states that now host Heartland offices. Moreover, *IA* provides a fresh and professional vehicle for communicating with Heartland Sponsors and our many friends and allies in the state public policy research community.

> *Intellectual Ammunition* will multiply Heartland's reach nearly eight-fold, and double the frequency of its contact with elected officials in states that now host Heartland offices.

We are in the process of securing advertising commitments to enable us to expand *IA*'s complimentary circulation to all 8,000 state legislators and governors. As this is being written, we remain hopeful that sufficient advertising will be found to enable the magazine to assume monthly publication in September. Until monthly publication is assured, we will not solicit paid subscriptions. Heartland Sponsors will continue to receive *IA* as a benefit of sponsorship.

Breakthrough #4

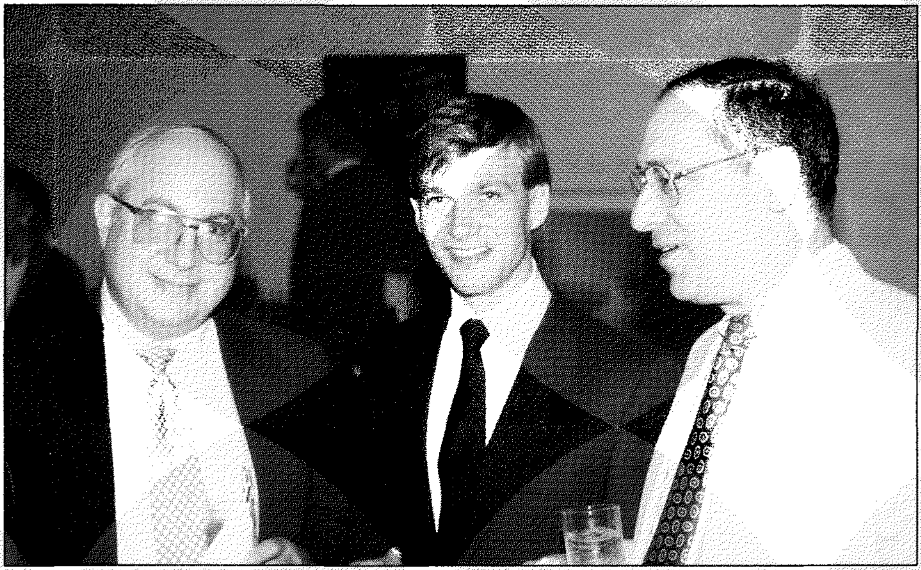
Earth Summit in Rio

Thomas Shull, executive director of Heartland's Detroit office, attended the "Global Forum" at the June Earth Summit in Rio de Janeiro. Shull was one of very few pro-market policy analysts to attend the highly publicized event, and he came away with a wealth of information and insights into the international environmental movement.

According to Shull, "I felt it was important, if we wish to be taken seriously in the debate over environmental protection, to attend the most important environmental conference of the year, and perhaps of the decade. Moreover, my attendance at the Global Forum gives The Heartland Institute special standing in future public policy debates concerning environmental protection policies in the Midwest. Heartland has already been invited by the organizers of the Global Forum to participate in the national U.S. follow-up meeting of nongovernmental organizations to be convened September 24-27 in Lansing, Michigan. This is an unprecedented opportunity for us to direct public attention to the adverse economic consequences of regulations being promoted by U.S. environmentalists, and to put forward our own market-oriented alternatives."

> Thomas Shull's attendance at the Global Forum gives The Heartland Institute an unprecedented opportunity to speak out on environmental regulation issues.

Shull is working with Heartland Michigan president **David Littmann**, senior vice president and chief economist for Manufacturers National Bank, and **Peter Thusat**, executive director of Heartland's Cleveland office, to plan a series of research reports on the effects of proposed environmental regulations on the economies of Midwest states. In addition, Shull and Thusat are seeking funding to enable pro-market environmental experts and rep-



Heartland Michigan executive director Thomas Shull (center) talks with Heartland Michigan president David L. Littmann (right) and Heartland Institute Director Frank Resnik.

resentatives from all five Heartland offices to attend the Lansing event to make a major presentation on environmental issues.

Heartland's past work on environmental issues includes commentaries by **Judy Lyn Freeman** on solid waste management in Chicago, **Lisa Skumatz** on Seattle's model recycling program, Amoco economist **James L. Johnston** on tradeable emission rights, and Heartland's Kansas City executive director **Bradley Furnish** on recycling and landfills in Kansas City. Furnish's work is now being edited for publication as a *Heartland Policy Study*.

Breakthrough #5

Privatization

On October 7, The Heartland Institute will bring some of the nation's leading experts on privatization to Detroit, Michigan to meet with interested government officials and members of the public. The day-long conference will provide the first opportunity for many people in state and local government to discuss the pros and cons of privatization in an in-depth fashion with true experts. Presentations and papers submitted for the conference will provide the basis for a series of cutting-edge research reports for later publication by The Heartland Institute.

The privatization conference, made possible by a grant from a foundation wishing to remain anonymous, will feature **Robert W. Poole Jr.**, president of the Reason Foundation; **Wendell Cox**, principal of Wendell Cox Consultancy; **Michael Mills**, president of the Michigan Privatization Council; **Charles Van Eaton**, professor of economics at Hillsdale College; **Louis Schimmel**, former court-appointed receiver of Ecorse, Michigan, the "city that privatized everything"; and **Steven Fishman**, principal of the Fishman Group.

> The Detroit Privatization Conference will propel Heartland to the forefront of privatization research and debate in the Midwest.

The conference will be advertised in *Intellectual Ammunition* as well as other publications reaching Michigan legislators and state and local government officials. Mailings to municipal membership organizations in the state will help ensure a large turn-out. Businesses that provide public services through competitive contracting will be invited to exhibit at the event and participate in some of the conference's sessions.

This conference will propel Heartland to the forefront of the debate over privatization in the Midwest. Heartland already has published extensively on privatization, including work on privatizing mass transit, highways, prisons, sports stadiums, and convention centers. The extensive exposure that will follow from the conference will bring this work to the attention of thousands of government officials in Michigan, and the manuscripts generated by the conference will enable Heartland to publish fresh research on privatization during 1993.

Breakthrough #6

Exciting Research On Hand

It has been common in the past for The Heartland Institute to have three or four research reports on hand at any given time in the process of being edited for release. During the past four months, an unprecedented number of manuscripts has entered the publications pipeline. Some of these manuscripts, such as a study of the likely effects of term limitation in Illinois, establish model research methodologies that can be replicated by Heartland offices in other states.

Research Agenda

Access to health care in Missouri

Education spending in Illinois

Educational choice's track record

Independent contractors

Mass transit subsidies in Illinois

Privatization in Ecorse, Michigan

Privatization in Detroit, Michigan

Property tax classification

Public employee compensation

Solid waste disposal

Taxes and economic growth

Term limits

The twelve policy study manuscripts now under way are: The Effects of Term Limitation in Illinois, by **James Payne** and **Michael Jerbich**; Revitalizing the American City: A Market Perspective for Detroit, by **Michael Mills, Charles Van Eaton,** and **Robert Daddow**; Wisconsin Public Employee Compensation, by **Wendell Cox**, **Samuel Brunelli**, and **William**

ReDonna Rodgers, executive director of the Center for Teaching Entrepreneurship, a project of Heartland Wisconsin; Alejandro Bertuol, executive director of Heartland Illinois; and Peter Thusat, executive director of Heartland Ohio.

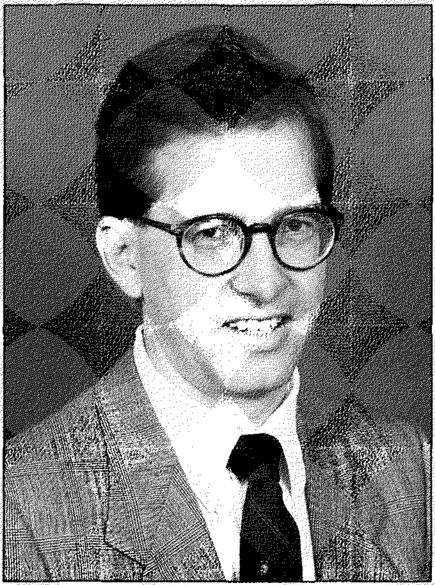
Hunter; Effects of Property Tax Classification on Economic Growth and Income Distributions, by **John Beck** and **Amar Parai**; Ecorse, Michigan: The City that Privatized Everything, by **Louis Schimmel** and **Robert Kleiman**; Independent Contractors vs. the State, by **John Enright** and **William Dale**; Economic Assessment of the Illinois Education Amendment, by **Alejandro Bertuol**, **John Skorburg**, and **Herbert Walberg**; Missouri's Uninsured and Access to Health Care Services, by **Bradley Furnish** and **Joseph L. Bast**; Taxes and Economic Growth: New Evidence, by **Robert Genetski** and **Paul Greff**; A Taxpayer's Guide to Solid Waste Disposal, by **Bradley Furnish**; Mass Transit in Illinois: The Shaky Case for State Subsidies, by **Joseph L. Bast**; Educational Choice: Does it Improve Student Achievement?, by **Herbert Walberg**, **Thomas Hetland**, and **Joseph L. Bast**.

> An unprecedented number of policy study manuscripts are in Heartland's publication pipeline, meaning the next twelve months will see a steady stream of high quality research.

Other Activities

Heartland's **Milwaukee** office recently moved into larger office space and reports a long list of new activities and accomplishments. The Center for Teaching Entrepreneurship, headed by **ReDonna Rodgers** — has introduced over 300 inner-city students to the principles of business start-up and management, and has assembled an impressive board of advisors to oversee its efforts.

The **Chicago** office released a report on Illinois' War on Drugs by **Bruce Benson** and **David Rasmussen. Alejandro Bertuol**, Chicago's executive director, hosts a biweekly cable television program and has emerged as a popular speaker at meetings of civic, service, and business groups. Alejandro recently moved into new office space donated by Heartland Illinois Governor **Mark Reynolds** (Park Management Co.).



Dr. Thomas L. Wyrick, author of a new Heartland Policy Study on Missouri's tax-limiting Hancock Amendment.

The **St. Louis** office cooperated with its Kansas City counterpart to release a *Heartland Policy Study* on Missouri's Hancock Amendment. (See the description of the study on page two of this Report.) Heartland hosted events featuring author **Thomas Wyrick** in St. Louis, Kansas City, and Springfield.

In **Kansas City**, executive director **Bradley Furnish** reports the addition to his Board of Governors of **Dwight D. Sutherland, Jr.** (an attorney with Watson, Ess, Marshall & Enggas), **R. Crosby Kemper III** (United Missouri Bank), and **Thomas Knauff** (Propane Continental).

In **Cleveland**, executive director **Peter Thusat** organized a successful event for **James Bennett**, author of a study of the American Cancer Society of Ohio, and arranged for several interviews with local press. Peter worked with Heartland Director **Bernard Baltic** to arrange for complimentary subscriptions to *Reason* magazine for Ohio state senators, the governor and lieutenant governor, and six city mayors. Peter also recorded a statement on Ohio taxes that was sent to approximately 45 radio stations.

Heartland's **Detroit** office is nearing completion of a major study of privatization opportunities for Detroit. Earlier this year, executive director **Thomas Shull** moved his office to new space donated by Avanti Press, Inc. in Detroit's landmark Penobscot Building.

Conclusion

This Quarterly Performance Report could run much longer. Each of Heartland's six offices has dozens of smaller accomplishments not reported here. For more information on these other achievements, contact the executive director of the Heartland office in your state or, if you reside outside our "service region," call my office at 312/427-3060. Addresses and phone numbers for Heartland's offices appear on the final page of this Report.

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nity.) "Schools cannot help but teach values, first through daily experience, and second through the curriculum. . . . Public schools cannot ignore their responsibility for moral education. They must acknowledge it, act on it, and carefully guide students to do the right thing."

"School Daze," Rita Kramer, *Reason*, Reason Foundation, May 1992. Having spent a year visiting teacher colleges, the author concludes that dramatic improvements are needed in the way we teach teachers. "What we have today are teacher-producing factories that process material from the bottom of the heap and turn out models that perform, but not well enough. What we need is to sacrifice quantity for quality, in both the institutions that educate teachers and their graduates."

"Al in Wonderland," Alan Reynolds, *Reason*, Reason Foundation, June 1992. Recent efforts to thwart choice in education are based on a fallacy and an insult: (a) the fallacy that looking at existing private schools tells us what private schools would look like if they were not hampered by competition from public schools and (b) the insult that parents cannot be expected to make wise choices concerning their children's educations.

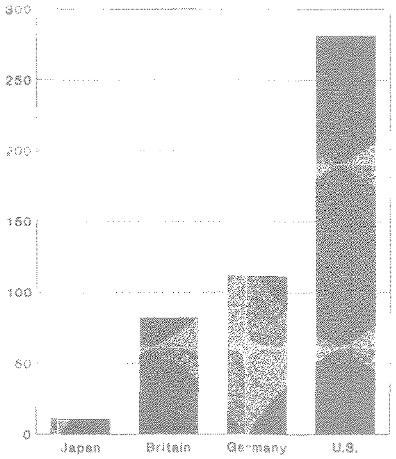
"The Public Takes Reform to Heart," Louis Harris, *Network News & Views*, Educational Excellence Network, March 1992. Summarizes the results of Harris' *Agenda: America's Schools for the 21st Century* poll of 1,252 randomly selected adults.

Environment

"The Waste of Government Trash Pickup," Timothy Peterman, *A Heartland Perspective*, The Heartland Institute, February 28, 1992. Private trash collection would encourage recycling, compacting, and other behavior that would cut the waste stream.

"All Creatures Great & Small," Charles Oliver, *Reason*, Reason Foundation, April 1992. Exposes the U.S. Fish and Wildlife Service's use of "endangered species protection" to protect and extend its own influence. *Fact*: It lists 581 species as endangered or threatened, yet has developed no plan (as required by law) for the recovery of 224 of the species. There are 3,000 more species it would like to add to the list.

Lawyers per 100,000 population



Stephen P. Magee, University of Texas

"California's Environmental Advertising Law — An Unconstitutional Restraint on Free Speech?" Rex S. Heinke and Kelli L. Sager, *Legal Opinion Letter*, Washington Legal Foundation, March 27, 1992. Intended to protect California's environmentally conscious consumers from deceptive advertising, the state's environmental advertising law unreasonably restricts truthful commercial and non-commercial speech and is unconstitutionally vague.

"The Endangered Species Act: A Perverse Way to Protect Biodiversity," Richard L. Stroup, *PERC Viewpoints No. 11*, Political Economy Research Center, April 1992. The federal Endangered Species Act, intended to protect endangered animals and plants, has been at best unsuccessful. *Example*: Only 17 species (of 1200+ listed or qualified for listing) have been removed from the list of endangered or threatened species; eight of the 17 were delisted because they became extinct.

"Do We Need A Federal Garbage Man?" Ken Chilton, *Policy Insight No. 137*, Reason Foundation, March 1992. Local and state solutions to waste problems are preferable to federal responses. *Reasons*: Solid waste management needs vary significantly depending on local conditions; state and local policy makers are closer to the people affected by their proposals and thus more likely to reverse bad policy.

"Implementing the U.S. Clean Air Act in Arizona," Jonathan H. Adler, *Arizona Issue Analysis #123*, Barry Goldwater Institute, February 1992. Recommends implementation of *targeted* approaches to air pollution, in order to maximize the pollution reductions for every dollar spent. *Facts*: Motor vehicles account for 65 to 70 percent of all "volatile organic compound" emissions . . . but just 20 percent of vehicles are responsible for as much as 85 percent of emissions.

"The Hazards of 'Political' Science: Asbestos," *Consumers Research*, Consumers Research, Inc., February 1992. In overturning the EPA's ban on asbestos, U.S. Court of Appeals exposes the faulty cost-benefit reasoning: EPA's asbestos ban would, according to the agency's projections, save seven lives over the next 13 years, at a cost of $30 to $40 million per life.

"The Truth About Ozone and Urban Smog," K.H. Jones, *Policy Analysis No. 168*, Cato Institute, February 19, 1992. The 1990 amendments to the Clean Air Act pose a far heavier regulatory burden than necessary to address the ozone problem. *Half-truth*: In 1989, 67 million people were living in areas that exceeded national ozone standards. *Full truth*: 85 percent of all above-standard ozone exposures occur in California, and 82 percent occur in the Los Angeles Basin area alone.

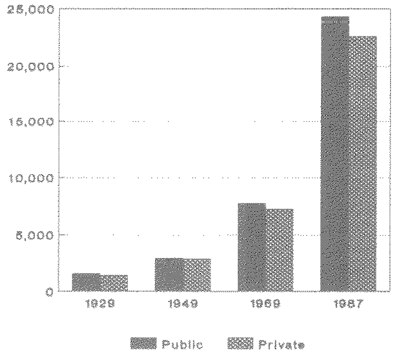
"A Guide to Environmental Myths and Realities," Lynn Scarlett, *Consumers' Research*, Consumers' Research, Inc., January 1992. Ten myths exploded. For example: The fact that more than half the landfills now in use will be closed within five years should come as little surprise, since most are designed for 10 to 20 years' use. Moreover, since new landfills are about four times as large as old ones, four old landfills can be closed for every new one built without a net loss in landfill space.

"Property Rights: The Debate Is Joined," *Organization Trends*, Capital Research Center, March 1992. While the 10 largest environmental organizations have a collective annual budget of $500 million, the Sierra Club and 14 other environmental groups recently urged federal and state agencies to spend $50 million in tax dollars to purchase or acquire easements on tracts of Pacific Northwest timberland. *Fact*: The U.S. government already owns almost two-thirds of all land in the 13 western-most states.

"Hawk Mountain Sanctuary: Private lands providing public amenities," *Philanthropy*, The Philanthropy Roundtable, Winter 1992. Hawk Mountain Sanctuary — 2,000 acres of Pennsylvania land bought in 1934 and operated since then as a private nature preserve — testifies to the power of property rights for the preservation of the environment. The Sanctuary has 8,500 members and between 50,000 and 60,000 visitors annually; the Sanctuary is open to the public year-round at a daily charge of just $3.00 for adults and $1.50 for children. For more information contact Hawk Mountain Sanctuary, Route 2, Kempton, PA 19529; phone 215/756-6961.

"Spending More Money Cannot Protect Endangered Salmon," Lon L. Peters, *Environmental Insight #1*, Cascade Policy Institute, February 1992. States in the Pacific Northwest collectively spend $150-200 million per year to save the region's salmon — but the total value of harvested salmon at the dock appears to be closer to $15 million per year. *Conclusion*: it's time for economically sound environmental policy making.

Average Annual Earnings
Government vs. Private Sector
(less military)



U.S. Dept. of Education, Bureau of Economic Analysis

"Sorting out the Garbage: America Looks at the Consumer Solid Waste Issue," Citizens for the Environment, October 1991. Reports the results of a Roper Organization Inc. survey. *Among the findings*: 34 percent of survey respondents paid for garbage collection through their local taxes; 93 percent of these respondents reported having "no idea" what amount of their tax dollars goes toward garbage collection.

"A Species Worth Preserving," John Kell, *The Freeman*, Foundation for Economic Education, March 1992. Environmentalists and ranchers reach a compromise on the controversial reintroduction of wolves to Yellowstone and Glacier National Parks. *Solution*: Defenders of Wildlife, a nonprofit group, has raised $100,000 in private donations to compensate individual ranchers for livestock losses to wolves.

"Insufficient Data," Rick Henderson, *Reason*, Reason Foundation, June 1992. Highlights the findings of a study conducted last December by the National Academy of Sciences, whose researchers contend that the methodologies used to develop and implement pollution control programs are fatally flawed. Writes Henderson, "the nation's environmental regulators have no idea how bad urban air pollution is." Such a failure to understand the problem cannot help but produce wrong-headed "solutions."

"Who Should Own the Ocean?" Kent Jeffreys, Competitive Enterprise Institute. Explores the potential of private property rights as a mechanism for managing ocean resources. *Case study*: Approximately 40 percent of the nation's oysters are produced by private aqua-culture; in 1986, private oyster beds produced from eight to twelve bushels of oysters per acre, while public waters produced an average of only four bushels per acre.

"Primer on Market-Based Air Quality Policies for Southern California," Center for Land Use and Environmental Studies, The Claremont Institute. Offers a two-pronged, market-focused approach to improving air quality. *Prong One*: Require polluters to pay for the damage they do. *Prong Two*: Deregulate the choices individuals can make. *Implementation strategies*: congestion pricing, legalized jitneys, tradeable emissions permits.

"The Greening of the First Amendment," Jerry Taylor, *Regulation*, Cato Institute, Fall 1991. In an effort to deny their opponents' rights to comment on ecological issues, environmentalists, state attorneys general, and a coalition of business groups are urging the Federal Trade Commission to restrict the rights of manufacturers to publicize the environmental impact of their products and packaging. Taylor recommends the FTC "continue monitoring environmental advertising on a case-by-case basis, . . . restrict[ing] its regulatory activities to the realm of fraud as understood by common law jurisprudence."

"A Market without Rights: Sulfur Dioxide Emissions Trading," James L. Johnston, *Regulation*, Cato Institute, Fall 1991. The 1990 Clean Air Act's emission trading system "fails the crucial test for any functioning market." The emissions "allowances" are not property rights, and a market without property rights is not a market at all.

Family

"The Impact of Mandated Family Leave on Small Businesses and their Employees," National Federation of Independent Business. Concludes that government-mandated family leave benefits are unnecessary because most small businesses already accommodate most workers' requests for medical emergency leave. Mandating such benefits would only increase costs to both employers and employees. Contact the National Federation of Independent Business, 600 Maryland Avenue SW #700, Washington, DC 20024.

"1992 State Welfare Reform Proposals," Legislative Update, American Legislative Exchange Council, Summarizes welfare reform proposals introduced in 35 states

"The '90s: Middle-Class Myths Fade into Reality," Charlotte Allen, *Insight*, The Washington Times Corporation, May 4, 1992. The 1990s is expected to be the "decade of the middle-class." *It's about time*: In 1950, the median family of four paid no federal income tax and a Social Security tax of 2 percent. By 1980, a family of four was paying 24 percent in income and Social Security taxes. With state and local taxes, the tax burden on the median family today is 35 percent. *Insight*, The Washington Times Corporation, P.O. Box 91022, Washington, DC 20090-1022; phone 800/356-3588.

"The Annual Poverty Dance," Warren T. Brookes, *Political Update*, H.C. Wainwright & Co. Economics, Inc., December 11, 1991. Census Bureau poverty reports disguise the fact that U.S. poor have unusually high standards of living. *Examples:* 38 percent of all America's poor own their homes; 62 percent own a car, and 14 percent own two or more cars; nearly 500,000

(Continued on Page 16)

Transit Spending and Economic Growth

By John Semmens

The American Public Transit Association (APTA) has issued a report that purports to show that massive increases in public transit expenditures would have positive impacts on the nation's economic growth. More specifically, the report's author, David Aschauer, asserts that a $100 billion increase in transit spending over the next ten years would boost economic output by $531 billion.

This dramatic conclusion is reached by way of an econometric model that correlates high rates of economic growth with high levels of transit spending. While it is not at all surprising that high rates of growth and high rates of spending are mathematically correlated, it *is* surprising to find a professor of economics who would conclude that causation has been proven. While some might like to believe that more government spending will result in more prosperity, the reality is quite the opposite.

The fundamental question in the relationship between high spending and high growth is, which comes first? Does the high spending cause the growth? Or does growth enable high spending? The APTA would have us believe that spending causes growth, but it is at least equally plausible that growth permits high spending. The richer the society, the more it can afford to spend on transit, among other things.

Consider a similar, proven correlation: Statistics long have shown that there is a positive correlation between personal income and amount of travel by individuals. Does the higher rate of travel cause people to earn more income? Or does the higher income enable people to travel more? Will taking more European vacations and world cruises make me rich? Or will I need to get rich before I adopt such a lifestyle?

The notion that spending more money on public transit will make the economy better off is not supported by sound reasoning or evidence. There isn't a single public transit system in any major city that comes even close to covering its full cost from paying customers. This implies that the value of the transportation provided -- the "output" -- is worth less than the value of the labor and other resources -- "inputs" -- consumed to operate the service. *Producing outputs that are worth less than the inputs consumed is no way to stimulate economic growth.*

In order for an economy to grow, what comes out of the production process must be worth more than what goes into it. Public transit does not meet this requirement. Its outputs are worth only a fraction of the cost of the inputs. Transit's perpetual deficits are a heavy burden on the communities forced to pay for them. Consequently, in contrast to APTA's assertion, it is more reasonable to conclude that transit expenditures consume capital and *retard* economic growth.

Proponents of transit spending claim that there are indirect, unquantified, and unspecified benefits beyond the financial results that ought to be credited to transit systems. However, the existence of such benefits is subject to dispute, and even if they exist they are not unique to transit. Every expenditure from private, as well as public, sources produces these types of benefits.

Perhaps transit outputs *are* worth more than currently seems to be the case based on the financial results. However, until it is demonstrated that payments from willing customers are able to cover the cost of transit systems, the most logical conclusion is that tax dollars can be better spent elsewhere.

# # #

John Semmens is an economist with the Laissez Faire Institute in Chandler, Arizona.

poor families owned homes worth over $100,000, and 36,000 owned homes worth over $300,000. H.C. Wainwright & Co. Economics, Inc., 45 Bromfield Street, Bostaon Massachusetts 02108; phone 617/482-4020

Higher Education

"The Higher Education Act: Another Middle Class Entitlement?" Angela Hulsey, *Issue Bulletin No. 171*, The Heritage Foundation, March 9, 1992. Proposals for reauthorization of the Higher Education Act of 1965 would triple the cost of the Pell Grant program in four years, from $5.4 billion today to $17.4 billion in 1996. *Reason*: Middle-class welfare — Grants would be made available to all eligible students, regardless of the ultimate cost to the taxpayer.

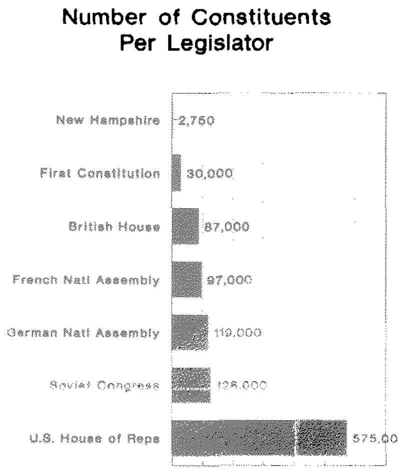
Health Care

"Should Healthy People Pay More for Health Insurance?" John C. Goodman, *Policy Backgrounder No. 115*, National Center for Policy Analysis, April 2, 1992. The Bush health care proposal would exacerbate the nation's most pressing health policy problems: rising insurance costs and an increasing number of uninsured. Health insurers would be prevented from charging sick people higher premiums than are charged to well people; as a result, insurance premiums will soar and few people will buy health insurance until they become sick.

"Small Employer Health Insurance: Disaster, Not Relief," William J. Hunter, *A Heartland Perspective*, The Heartland Institute, January 29, 1992. "Guaranteed issue" and similar health care reforms will exacerbate the high cost of health care and further restrict the availability and affordability of health insurance.

"States take lead on health," Gary Enos, *City & State*, Crain Communications Inc., April 20 - May 3, 1992. With Washington legislators unable to reach a consensus on health care reform, it will be up to the states to devise solutions to address their own perceptions of the problem. Crain Communications, Inc., 740 North Rush Street, Chicago, IL 60611-2590; phone 312/649-5200.

"Controlling Health Care Costs with Medical Savings Accounts," John C. Goodman and Gerald L. Musgrave, *NCPA Policy Report No. 168*, National Center for Policy Analysis, January 1992. Using Medical Savings Accounts — health care IRAs — could reduce health care spending in the U.S. by as much as one-fourth. *Predictions*: Using Medisave accounts to pay small medical bills would reduce administrative costs of the U.S. health care system by as much as $33 billion, and more prudent buying by patients could reduce health care spending by as much as $147 billion.



Donald Devine, "A Growing Plan for the U.S. House," Insight April 20, 1992

"Consumer Choice in Health: Learning from the Federal Employee Health Benefits Program," Robert E. Moffit, *Backgrounder*, The Heritage Foundation, February 6, 1992. *In a nutshell*: Members of Congress would not even think of giving up the benefits of choice and competition in their own health care system. Lawmakers should reflect on this before trying to impose a national health care system on all Americans.

"A Policy Maker's Guide to the Health Care Crisis — Part I," Stuart M. Butler, *Heritage Talking Points*, The Heritage Foundation, February 12, 1992. Federal tax policy favors employer-based health insurance, which leads directly to the problems commonly cited by Americans as the reasons fundamental health care reform is needed. *Fact*: The tax-free fringe benefit status of employer-based health insurance was worth $66.6 billion in 1991 in federal taxes avoided, and another $8.3 billion in relief from state taxes. Nearly 26 percent of this tax relief goes to households with incomes in excess of $75,000 per year.

"Market Medicine," Jacob Sullum, *Reason*, Reason Foundation, March 1992. Explores the role of occupational licensure and other health industry regulation in the escalating cost of U.S. health care. *Interesting*: First visits to nurse-practitioners cost 12 percent to 45 percent less than comparable visits to physicians. Yet of the 33 states that give nurse practitioners some authority to prescribe drugs, all but three require a doctor's input. Only 3 percent of the country's nurse-practitioners have independent practices.

Law

"Life After Legalization: Scenes from a Post War America," Richard J. Dennis, *Reason*, Reason Foundation, February 1992. Dennis projects the impact of drug legalization on a host of everyday Americans: a college student, welfare mother, judge, gang leader, police officer, addict, priest, and yuppie couple.

"How to Fight Punitive Damage Awards in Court," Theodore B. Olson and Theodore J. Boutrous, Jr., Washington Legal Foundation. The "litigation explosion" delays the administration of justice and extracts heavy costs from American consumers and businesses. *Fact*: Americans are filing about 18 million new lawsuits a year — one for every 10 adults.

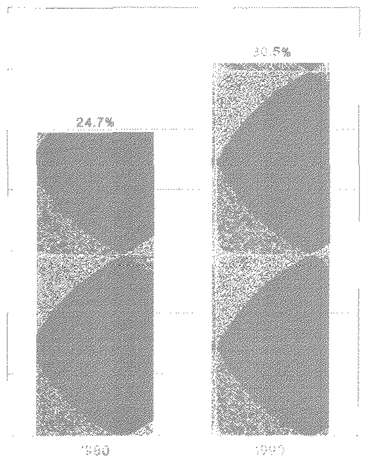
"State Constitutions and the Second Amendment," Clayton E. Cramer, *American Rifleman*, National Rifle Association, February 1992. State constitutions adopted before the U.S. Constitution and Bill of Rights give us an idea of what the founding fathers meant by "the right to keep and bear arms." *Example*: Pennsylvania's 1776 constitution declared "That the people have a right to bear arms for the defence of themselves and the state."

"The Right to Justice: The Political Economy of Legal Services in the United States," Charles K. Rowley, The Locke Institute, April 1992. Intended to ensure the right to justice for the poor and disadvantaged, the federal government's legal services program has in fact been used by the American Bar Association and other special interest groups to further their own political and wealth-seeking ambitions. The author uses public choice theory to analyze the legal services program and recommend a voucher-based reform of legal services — a reform that would provide the poor with market power and private attorneys with fee-paying clients. Published by Edward Elgar Publishing Company, *The Right to Justice* is being distributed through Ashgate Publishing Company, Old Post Road, Brookfield, VT 05036; phone 800/535-9544. $49.95 each, plus 3% postage and handling.

Miscellaneous

"State Government Competes Unfairly With Private Firms," Lawrence W. Reed, *Viewpoint*, The Mackinac Center, January 20, 1992. Michigan businesses needn't look further than their own backyards for unfair competition. *Examples*: state-owned campgrounds, prison industries, and the University of Michigan computer retail store unfairly "dump" products that compete head-to-head with the private sector.

"The politics of persuasion," Gary Enos, *City & State*, Crain Communications, Inc., April 20 - May 3, 1992. Part of a Special Report on "conservative" think-tanks and their growing influence on state public policy. Groups in Arizona, Colorado, Illinois, Michigan, Pennsylvania, and South Carolina are among those profiled. Crain Communications, Inc., 740 North Rush Street, Chicago, IL 60611-2590; phone 312/649-5200.


Percent of American Families Earning More than $50,000 a Year

Alan Reynolds, "The Middle Class Boom of the 1980s," Wall Street Journal, March 12, 1992

"Margins of Error," T. Keating Holland, *Reason*, Reason Foundation, February 1992. Good advice on the interpretation and misinterpretation of opinion polls and surveys. *Watch for*: margin of error, slanted questions, self-interest (who funded the poll?), the time factor, random surveys vs. 900-numbers and other "self-selecting" formats.

"The Myth of Predatory Pricing," Thomas J. DiLorenzo, *Policy Analysis No. 169*, Cato Institute, February 28, 1992. Government attempts to address so-called "predatory pricing" will only serve to eliminate competitive pricing, which is beneficial to consumers. *Fundamental*: Government-sanctioned protectionism, exclusive franchising, and other barriers to competition — not the free market — are the true sources of dangerous monopoly.

"The Tigers' Current Stadium Lease: An Evaluation," James Fair, *A Heartland Case Study*, The Heartland Institute, March 13, 1992. Analyzes the lease between the Detroit Tigers baseball team and the City of Detroit, concluding that "the agreement legally prohibits the team from leaving Tiger Stadium before December 2008." *Implication*: The Tigers' demand for a new, tax-funded stadium has no teeth.

"The 'Fortunate Fifth' Fallacy," Richard B. McKenzie, *Policy Study Number 111*, Center for the Study of American Business, May 1992. Political posturing about the distribution of personal income in the U.S. makes it sound as if income quintiles are "fixed and exclusive clubs." *Reality*: Between 1984 and 1985, 18 percent of the people in the lowest economic quintile moved up; 20 percent in the highest quintile moved down; and 44 percent in the middle changed quintiles (half moving up and half moving down).

"Why Initiative and Referendum Contributions and Expenditures Cannot be Limited," Dave Kehler, *Initiative and Referendum Analysis*, Public Affairs Research Institute of New Jersey, January 1992. New Jersey officials, considering a state constitutional amendment to permit citizen initiative and referendum procedures, must understand that attempts to restrict contributions to and spending by such campaigns would be unconstitutional.

Philanthropy

"Myths About the Decade of Greed," *Talking Points on the Economy*, The National Center for Public Policy Research, September 1991. *Myth*: Americans lacked compassion for the poor during the 1980s. *Fact*: Between 1982 and 1989, corporate contributions to charities increased an average of 10 percent per year, outstripping inflation. In 1986 — the middle of the "Decade of Greed" — Americans contributed $94 billion to charities.

"Public Interest Research Groups," Robert V. Pambianco, *Profiles*, Capital Research Center, March 1992. Profiles the highly politicized Public Interest Research Group (PIRG) network established by Ralph Nader in 1983. Today, there are 25 state chapters on 90 college campuses with total estimated revenues of $20,000,000. *Controversial*: PIRG's leftist agenda is supported in large part by "mandatory/refundable" membership dues collected from *all* students on college campuses where PIRG has established chapters. Students who don't care to support the organization must request a refund of the dues.

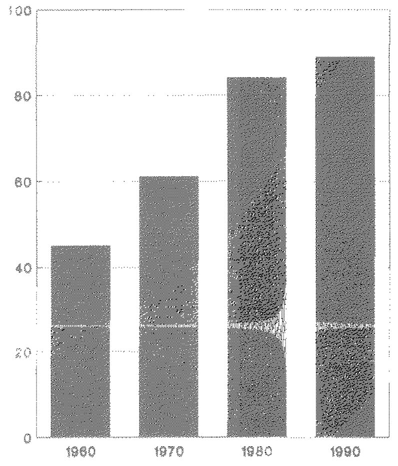
Privatization

"Governor Should Embrace Privatization," Alejandro Bertuol, *A Heartland Perspective*, The Heartland Institute, May 19, 1992. Encourages Illinois Governor Jim Edgar to adopt an aggressive program of privatization to carry out what Edgar called state government's responsibility to ensure the "careful and sensitive management of limited and precious resources."

"Saving Tax Dollars Through Privatization," Cheryl Hillen and Jim Moses, *Economic Perspective*, New Jersey Citizens for a Sound Economy Foundation, March 5, 1992. Recommends, among other things, privatization of the state's prison system; sale to the private sector of the stadiums, sports facilities, and convention centers currently operated by the New Jersey Sports and Exposition Authority; and a Commission on Privatization to explore further privatization opportunities.

"Privatization for New York: Competing for a Better Future," New York State Senate Advisory Commission on Privatization, January 1992. A 304-page analysis of privatization opportunities in the State of New York. Edited by Dr. E.S. Savas, one of the nation's leading experts on privatization, the report highlights savings to state and local taxpayers of $10.52 billion annually and over $3.27 billion in one-time sales revenues. Contact Ronald S. Lauder, New York State Senate Advisory Commission on Privatization, 767 Fifth Avenue #4200, New York, NY 10153.

Public Authority Debt as a Percentage of Total State Debt



U.S. Department of Commerce

"Privatization in Detroit Should Start Now," Michael L. Mills and Charles Van Eaton, *A Heartland Perspective*, April 14, 1992. Privatization of a wide range of Detroit city services might eliminate not only the city's $103 million budget deficit, but a cumulative deficit officially forecasted to reach $1.2 billion before the end of the decade.

"Efficiency Improvements, Privatization Can Bring Greater Savings," *The Bottom Line*, The Commonwealth Foundation, March 1992. Pennsylvania's House Republican Caucus offers proposals for spending cuts. *Savings projected*: competitive contracting of mass transit systems in Philadelphia and Pittsburgh, $40 million and $30 million, respectively; sale of state liquor stores, $637 million.

Privatization in Mexico, "Document Review," John Semmens, Arizona Department of Transportation, Transportation Planning Division, March 1992. Mexico already has 600 miles of private roads currently open to traffic; contracts for another 2700 miles are expected to be awarded in the next few years. *Change for the better*: The new private roads could be 100 percent foreign-owned, as the Mexican government has eliminated its requirement that Mexican businesses participate in any privatization project. Contact John Semmens, Arizona Department of Transportation (Room 310B), 206 South 17th Avenue, Phoenix, AZ 85007; phone 602/255-7333.

"Private Tollways: How States Can Leverage Federal Highway Funds," Robert W. Poole, Jr., *Policy Insight No. 136*, Reason Foundation, February 1992. The Federal Highway Administration estimates that the U.S. must increase highway infrastructure investment as much as $42 billion per year to restore highways and bridges to their quality level of two decades ago. *Opportunity*: The Intermodal Surface Transportation Act of 1991 encourages private sector investment in highway projects to leverage federal funds.

"The Public Benefits of Privatizing Logan Airport," Robert W. Poole, *Policy Insight No. 134*, Reason Foundation, November 1991. *The benefits*: The sale of Boston's Logan Airport would generate $786 million for the Commonwealth of Massachusetts and airport owners, Massport. New private owners would pay $25 million a year in property taxes to Boston, $29 million in federal corporate taxes, and $10 million in state corporate taxes.

Transportation and Privatization in the U.S., "Document Review," John Semmens, Arizona Department of Transportation, Transportation Planning Division, March 1992. Andrew Card, new U.S. Department of Transportation secretary, is expected to support a privatization agenda including: FAA permission for private redevelopment of underperforming airports and congestion pricing for toll roads. Contact John Semmens, Arizona Department of Transportation (Room 310B), 206 South 17th Avenue, Phoenix, AZ 85007; phone 602/255-7333.

Regulation

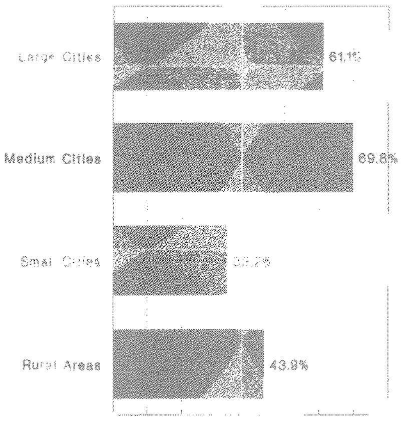
"The Growth of Federal Regulation," excerpted from the *1992 Joint Economic Committee Annual Report*, Joint Economic Committee Republican Staff, April 1992. Based on its evaluation of environmental, safety, and economic regulation, as well as the paperwork burden of compliance with federal regulations, the JEC-GOP concludes that "excessive government regulation is a net drag on economic growth, harms consumers, and costs jobs. It is time to return to the deregulatory policies of the early '80s and resume sustained economic growth." Contact the JEC-GOP at SH-805, Washington, DC 20510; phone 202/224-7943.

"Do Credit Cards Need Interest Rate Caps?" Arthur P. Hall and J. Marc Wheat, *Consumers' Research*, Consumers' Research, Inc., February 1992. Interest rate caps would adversely affect a credit card market that is already both competitive and diverse. *Fact*: The six largest credit card issuers account for just 30 percent of the credit card debt volume, and the second six largest account for just 13 percent.

"Improving Workplace Safety: Standards or Insurance?" Thomas J. Kniesner and John D. Leeth, *Regulation*, Cato Institute, Fall 1991. Workers' compensation insurance, when closely tied to a firm's workplace safety experience, is a more efficient and effective way to enhance on-the-job safety than regulations, standards, and inspections by the federal Occupational Safety and Health Administration (OSHA).

"Death by Regulation," Sam Kazman, *Regulation*, Cato Institute, Fall 1991. There are risks associated with government decisions to act, as well as not to act. The latter, however, are more visible risks. "One photographable injury outweighs a thousand unphotographed fatalities," writes Kazman. Regulation delays the approval of life-saving drugs; forces travelers to use less-safe modes of transportation; and mandates that industries produce less-safe products. Legislators, regulators, and consumers alike should be aware of the dangers of regulation.

Growth in Weekly Flights
Since Airline Deregulation
(1978 to 1989)



Reason, March 1992, citing research by economist Elizabeth E. Bailey

"How Not to Reform Auto Insurance," Ross E. Cheit and Jonathan D. Youngwood, Golden State Center for Policy Studies, The Claremont Institute. An evaluation of California's Proposition 103, which mandated insurance premium rollbacks and tight regulations on rate increases. *The importance of rating factors*: "A study by the Alliance of American Insurers concluded that if age were eliminated from the classification process, adults would pay 8 to 27 percent more [in auto insurance premiums], while the youngest drivers would pay 15 to 59 percent less."

Taxes

"Unhappy Returns: The $600 Billion Tax Ripoff," James L. Payne, *Policy Review*, The Heritage Foundation, Winter 1992. Government's tax collection system is *not* efficient, and tax compliance is not the "trivial" burden that politicians make it out to be. *Fact*: Overhead costs of the U.S. federal tax system reach 65 percent of tax revenues — and fully 64 percent of that burden is borne by the private sector, not government.

"Rethinking Tax Fairness," Gary Robbins, Aldona Robbins, and John Goodman, *Policy Backgrounder*, March 9, 1992, National Center for Policy Analysis. The important distinction to be made in discussing tax cut proposals is not "rich" vs. "poor," but rather "investors" vs. "wage earners." Because capital plays an essential role in the U.S. economy, it is in the self-interest of wage earners to promote lower — not higher — taxes on investment income.

"Competing Visions of Tax Limitation for 1992," Vern Bickel and Barry Poulson, *Independence Issue Paper No. 6-92*, Independence Institute, March 25, 1992. A proposal for constitutional tax and expenditure limitations achieves high marks in this evaluation of three Colorado proposals for fiscal restraint.

"Bush vs. The Congressional Democrats: Whose Tax Plan is Better?" Aldona Robbins, Gary Robbins, and John Goodman, *Policy Backgrounder No. 116*, National Center for Policy Analysis, April 7, 1992. Projects that through 1996, the Republican tax plan would create 479,000 new jobs, while the Democratic plan would eliminate more than 251,000 jobs. *The reason:* Increased investment would be encouraged by capital gains tax cuts and other elements of the Republican plan.

"A Sensible Approach to the Taxation of Telecommunications Services," Roop Mohunlall, *The State Factor*, American Legislative Exchange Council, February 1992. Utility taxation of local telephone companies discriminates against them vis-a-vis the growing number of untraditional telecommunications providers. Recommends that all telecommunications services — including local telephone companies — be integrated into a state's general business tax base.

"Taxes Create Jobs? Forget It!" Bradley J. Furnish, *A Heartland Perspective*, The Heartland Institute, May 19, 1992. When politicians increase taxes to fund public works projects, they argue that spending will "ripple its way through the state's economy, creating jobs as it goes." What they neglect to mention, however, is that taxation *destroys* jobs. Writes Furnish, "Every additional dollar extracted from taxpayers reduces the amount remaining to be spent on other goods. Jobs will be lost and incomes reduced in other sectors of the economy."

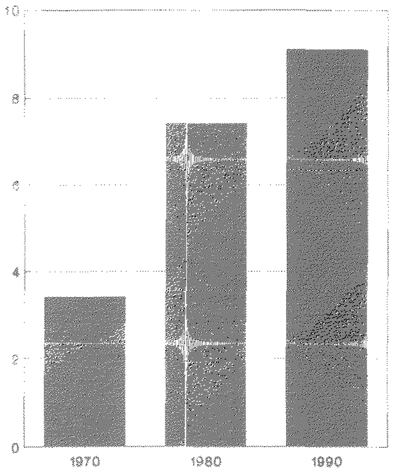
"Promoting Growth through Tax Policy," Gary and Aldona Robbins, *IPI Policy Report No. 115*, The Institute for Policy Innovation, March 1992. Recommends tax indexing and other federal income tax reforms aimed at encouraging long-term economic growth. Projected results by the year 2000: 4 million new jobs; $6 trillion increase in Gross Domestic Product; $10 trillion increase in capital investment.

"The Wrong Battle Plan to Fight Property Taxes," Raymond J. Keating, *Capitol Comment*, New York Citizens for a Sound Economy Foundation, January 24, 1992. Property tax opponents should fight for government spending control, not income tax increases. Write NYCSEF at P.O. Box 1954, Albany, NY 12201-1954.

"A Flat Tax Would Produce Explosive U.S. Economic Growth," Jude Wanniski and David Goldman, *Supply Side Analytics*, Polyconomics, Inc., March 31, 1992. The world's fastest-growing economy, Hong Kong, also has the lowest marginal tax rates on capital and labor, and the simplest ("flattest") tax rate schedule in the world. *Fact*: Between 80 and 90 percent of the difference in economic performance in 23 countries can be explained by the countries' marginal tax rates. Contact Polyconomics, Inc., 86 Maple Avenue, Morristown, NJ 07960; phone 201/267-4640.

"Read Our Lips: The Tax Revolt Lives," Stephen Moore, *Reason*, Reason Foundation, June 1992. The states are steeped in anti-tax sentiment, and state and local legislators are feeling its effects. Moore uses Connecticut and New Jersey — "where state lawmakers have been under siege from enraged armies of middle-class taxpayers" — as case studies of the anti-tax rebellion.

Regulatory Spending in the U.S.
(in billions of real 1982 dollars)



Melinda Warren, "Regulation on the Rise," Center for the Study of American Business, July 1991

Term Limits

"Term Insurance," Jonathan Rhyne, *Carolina Journal*, The John Locke Foundation, April-May 1992. Term limits would make it more likely that legislators would focus on their three legitimate functions — setting public policy, being an advocate for their district, and acting as a liaison for the citizens. Without term limits, legislators view their legitimate functions only as a means to an end: re-election.

"Why Political Scientists Oppose Term Limits," Mark P. Petracca, *Briefing Paper No. 14*, Cato Institute, February 18, 1992. Political scientists, who were instrumental in promoting the professionalization of legislators, perceive term limit proposals as an attack on professional politicians — and thus as an attack against themselves. Petracca acknowledges that political scientists have raised important questions about term limits, and he encourages them to contribute *positively* to the debate.

"Fiscal Pollution and the Case for Congressional Term Limits," Dwight R. Lee, *Contemporary Issue Series 51*, Center for the Study of American Business, April 1992. Opinion polls show that 70 percent of the American public favors congressional term limits — yet 96 to 98 percent of incumbents seeking re-election are successful. *Why*: It is not in the individual voter's self-interest to vote against his or her incumbent. *Solution*: Term limits, to protect us from ourselves.

Welfare

"Breaking the Chain: From Dependency to Opportunity," American Legislative Exchange Council. Over a dozen essays, and proposed model legislation, detailing an "empowerment policy for the 1990s." Welfare reform, affordable housing, and educational choice are featured.

"New Hope for Michigan Welfare Reform," Lawrence W. Reed, Randall J. Hekman, and Edwin S. Rubenstein, *Special Report*, Mackinac Center for Public Policy, March 9, 1992. The State of Michigan will devote nearly 30 percent of its $21 billion budget to public welfare and social service programs in 1992. *Problem*: 40 percent of Michigan AFDC recipients are on assistance for six or more years. *Solution*: Limit time on assistance to five years over any eight-year period. *Further solutions*: reform paternity laws, expand education and work requirements for able-bodied adults on AFDC, require minor mothers to remain at home.

Contacts

The following listing contains contact information for organizations throughout the country that conduct and disseminate research on state and local public policy issues.

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14263 Moorpark
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818/841-5210
Capitol Resource Institute
1211 H Street
Suite A
Sacramento, CA 95814-1912
916/444-8445
Cascade Policy Institute
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Suite 707
Portland, OR 97205
503/242-0900
(fax) 503/242-3822
Center for Independent Thought
942 Howard Street
San Francisco, CA 94103
415/541-9780
Center for the Study of Market Alternatives
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Boise, ID 83706
208/368-7811
The Claremont Institute
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Montclair, CA 91763
714/621-6825
Consumer Alert
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Modesto, CA 95354
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Pattern Research
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Political Economy Research Center
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(fax) 414/347-1993

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517/437-7341

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320 North Meridian
Suite 615
Indianapolis, IN 46204
317/236-7360
(fax) 317/236-7370

Landmark Legal Foundation
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15th Floor
Kansas City, MO 64106
816/474-6600

Lincoln Legal Foundation
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Suite 1600
Chicago, IL 60603
312/606-0951

The Mackinac Center
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Midland, MI 48640
517/631-0900
(fax) 631-0964

The Mid-America Legal Foundation
20 North Wacker Drive
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Chicago, IL 60606
312/263-5163

The Philanthropic Roundtable
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Indianapolis, IN 46204-1725

Public Interest Institute
Iowa Wesleyan College
Mt. Pleasant, IA 52641
319/385-6359

Rockford Institute
934 Main Street
Rockford, IL 61103
815/964-5053

Urban Policy Research Institute
P.O. Box 3647
Dayton, OH 45401
513/848-7199

Wisconsin Policy Research Institute
3107 North Shephard Avenue
Milwaukee, WI 53211
414/963-0600

SOUTH REGION

Advocates for Self-Government
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Atlanta, GA 30340
404/417-1304
800/932-1776

Alabama Family Alliance
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American Legislative Exchange Council (ALEC)
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American Studies Institute
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The Atlas Economic Research Foundation
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Congressional Institute, Inc.
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Consumers' Research, Inc.
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Michael L. Mills
President of the Michigan Privatization Council

Robert W. Poole, Jr.
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